ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 168 Number 4716 New York, N. Y., Thursday, July 15, 1948 Price 30 Cents a Copy

Politicians Begin Economic Dog-Fight

By A. WILFRED MAY

Democrats begin offensive with statistics barrage. Women campaigners enlisted to capitalize on high cost of living.

PHILADELPHIA, PA., JULY 14 — Observation of the Democrats' Convention, following on the recent Republican proceedings in the same locale, makes it a certainty that the coming election campaign will largely take the form of a dog-fight in the arena of economics.

A. Wilfred May

This is not to indicate that economic matters will be discussed as *issues* to anywhere near the degree that they will be bandied about as political *argument*. The platform, substantiating the word to this correspondent from the committee's chairman Senator Meyers that his group expended a minimum of time deliberating fiscal and economic questions, devotes only a very small part of its 5,500-word content to an affirmative statement of principles in this sphere. But the platform, like Mr. Barkley's keynoter and other speeches, hammers the

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See pps. 22 and 23 for PICTURES taken at Bond Club of Cleveland Outing and Dinner.

Problems in Federal, State and City Tax Coordination

By ALFRED G. BUEHLER*

Professor of Public Finance, University of Pennsylvania

Dr. Buehler reviews conflicts and difficulties in overlapping of revenue sources of state and local governments, and stresses need for broad and effective plan for tax coordination. Describes methods of dealing with problem in Pennsylvania and advocates new local taxing powers, together with improving administration of local property taxation. Lists merits of city income and sales taxes and concludes there is no easy way out of the complex problems of local, state and federal tax coordination.

Much has been heard over the years and recently about the serious financial problems of state and local governments and the increasing need to coordinate the financing of these governments in a harmonious pattern. Expenditures of cities and other local governments as well as those of the states have long been rising. While the states may employ broadly diversified revenue systems, however, local governments have been very largely restricted to real estate taxation. Many approaches to the problems of fiscal coordination have been adopted, usually consisting of the addition of more patches to an already badly patched up fiscal structure that is chronically threatening to disintegrate.

Dr. Alfred G. Buehler

General trends in state and local financing are indicated in considerable measure in the recent

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*An address by Prof. Buehler at the Annual Conference of the National Association of Tax Administrators, Toronto, Canada, July 12, 1948.

What to Do About Gold

By MELCHIOR PALYI

Economist, Central Life Insurance Co. of Illinois, Chicago
Visiting Professor, University of Chicago

Dr. Palyi decries the misconceptions of the monetary function of gold and criticizes the pseudo-rationality of the American gold policy. Says old-fashioned gold standard has no particular love for gold, but merely uses it as means of stability, while managed money advocates, who oppose "tyranny" of gold, are tyrannized by it with gold hoarding instinct. Holds logical solution of present monetary impasse is return to free gold circulation and offers as immediate remedy partial re-opening of gold market.

Gold-Idiosyncracies

Perhaps the greatest source of confusion about gold is the fact that we know, or think we know, all about its monetary function. At any rate, that function absorbs the attention of the literati. They have talked and written themselves into a conception of gold that by implication overlooks, or grossly neglects, its meaning and significance outside the monetary sphere. If this were merely a matter of unsatisfactory definitions, it might be left to academic discussion. But the trouble is not with formal definitions. The trouble is that national policies grow out of idiosyncracies which are the more dangerous as they rarely, if ever, find their way into the policy-makers' verbalizations.

Dr. Melchior Palyi

A "classical" case of such misunderstanding of gold was the ill-famed gold purchase policy of 1933-34. Professors Pearson and

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EDITORIAL

As We See It

Pelion on Ossa

If numerous current diagnoses are to be accepted at face value, the accelerated rearmament program and the so-called Marshall Plan operations and prospects, are, along with tax reduction in the face of future probable deficits, responsible in large part for a rather dramatic return or revival of optimism among the people at large concerning the business outlook for the next year or two. If such is indeed the fact, and there is a good deal of ground for believing that it is, that other comment now common to the effect that business has been given another "shot in the arm" — that is, a purely artificial stimulus rather than good, solid ground for long-term optimism — follows rather obviously.

Those who label such things "artificial" must, however, not fail to recognize that business ever since the close of the war has been maintained largely by "artificialities," and that these recent developments have merely piled Pelion on Ossa. Of course, the mere fact that these are like unto many that have come (and some gone) before does not sanctify them or excuse them or

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No Oil Shortage Imminent

By HOWARD W. PAGE*

Executive Assistant to President, Standard Oil Co. (New Jersey)

Expressing views of leading oil concern, Mr. Page tells House Interstate and Foreign Commerce Committee general overall supply of petroleum products will meet demands, though temporary local shortages may appear. Conditions estimate, however, on scheduled delivery of steel and on increased production in Venezuela. Says problem of increasing foreign oil supply is inability to export steel.

It is my understanding that you wish me to give you the views of our company on the petroleum supply situation in relation to the availability of steel. Our estimates indicate that there will not be any overall oil shortage during the coming year, barring war, disaster, or serious strikes. We do not think, however, that all instances of localized spot shortages can be avoided. Elimination of spot shortages can be achieved only when supply capacity, and working stocks, are appreciably higher in relation to demand than can be reasonably expected during the coming year.

Howard W. Page

Our definition of a spot shortage is a shortage which can be corrected promptly when it occurs. Spot shortages are annoying, they cause some inconvenience, but they are not symptoms of any overall crisis. Actually a few spot shortages have always occurred from time to time, even when supply capacity was greatly in excess of demand. It is our guess that average annual supply capacity will have to exceed average annual demand by 200,000 to 300,000 B/D before spot shortages are again as few as they were before the war. There is little probability that this will be accomplished during the coming year. However, if average supplies merely equal demand over the coming nine months, local spot shortages should be infrequent and quickly corrected. Recent experience indicates that such a balance can be achieved. There is even a possibility that average supplies will exceed the demand.

Your interest, I understand, is whether or not this estimate can be realized, and adequate oil supplies assured, without the use of more steel than present plans call for. The answer is "yes" if the steel already scheduled for delivery to the industry is actually received by the operators, and if steel deliveries continue at scheduled rates.

Factors in Supply Estimates

The reasons are as follows:

(a) Actual domestic refinery runs on a sustained basis have already exceeded the maximum rate which will be required to process all the crude that will be available for refining during the coming year. These runs, amounting to 5,670,000 barrels daily, have been achieved without fully utilizing all the strategically situated refining capacity. Based on surveys by the Oil & Gas Journal, the refining capacity of the country is now 5,983,000 barrels daily, excluding 158,000 barrels daily of spare capacity in California for which crude is not expected to be available. This is higher than the Oil & Gas Division indicated would be required for crude running in the fourth quarter of 1950. Also, new capacity is under construction and, based on Oil & Gas Journal surveys, about 275 000 barrels daily will be completed during the next six months.

(b) Stocks of refined products are approximately 32 million barrels more than they were a year ago. The recommendations of the Economics Committee of the Interstate Oil Compact Commission as to minimum desirable stock levels throughout the coming nine month period will be exceeded if we can continue to maintain the present margin above the levels for the corresponding periods of the previous year.

(c) There are enough tankers, and new tanker construction is proceeding at a rate which should be able to take care of increases in supplies during the coming year.

(d) Internal transportation appears to be satisfactory. One major crude pipeline into the Midwest has just been placed in operation. Others are scheduled to be completed soon. These pipelines will add to the total supply for the Midwest and will also release tank cars, formerly in crude oil service, for distribution of products.

(e) Domestic crude oil production at the present time is approximately 225,000 barrels daily higher than it was nine months ago. This rate of increase is appreciably greater than would be required during the next nine months to meet the minimum production levels which the Economics Committee of the Oil Compact Commission estimated would be needed to satisfy demands. In other words, if the flow of steel to the domestic producing industry continues at the same rate as it has been used during the past nine months, the required domestic production should be achieved. This does not mean that more oil country tubular goods are not desired, or would not be put to good use. As stated before, even higher productive capacity than we expect during the coming year is required to eliminate all spot shortages. But it can be said that, if steel continues to flow to the domestic industry as it has in recent months, we should be able to avoid a supply crisis.

(f) Foreign crude production has also been stepped up sharply in the last nine months. If foreign production can continue to be increased at the rate which has prevailed recently, it will provide for still further increased imports into the United States. Also, this higher foreign production will enable us to decrease exports from the United States.

Near and Middle East production is now approximately 1 020,000 barrels daily. This is an increase of 150,000 barrels daily in nine months. It is believed that with only minor uses of oil country tubular goods—not exceeding amounts scheduled on firm orders—there will be enough Middle East crude to load such tankers as are available for moving this crude to the United States.

The Far East is producing about 135,000 barrels daily compared with 90,000 barrels daily last October.

Venezuela, however, is the major source of foreign crude. It is the area counted upon most heavily to supply the extra oil needed for domestic consumption during the coming year. Production in Venezuela at present is about 1,340,000 barrels daily, an increase of 100,000 barrels a day in the last nine months.

There are still a large number of undrilled locations in proven territory in Venezuela. Furthermore, the great majority of these locations can be expected to result in prolific wells, varying from 600 barrels daily in Lake Maracaibo to as much as 10,000 barrels daily from cretaceous limestone in Western Venezuela. In comparison it should be noted that production in Venezuela averages 20 times as much per well as in the United States. Drilling programs based on available men and equipment have been established there to tap these prolific supply sources and bring them rapidly into the supply picture. Firm orders have been placed for the required tubular-steel goods.

Our industry supply estimates, upon which our statements have been based, have taken into account the new oil supplies which definitely can be obtained from these sources.

However, Venezuela producers have not been receiving scheduled deliveries of oil country tubular goods. They have not been receiving the required materials for one reason only—inadequate export licenses.

Venezuelan Production

We did not think it necessary to qualify our estimates of future oil supply by saying we could supply the oil if Venezuelan producers had the steel. They had the steel, and it was inconceivable to us that operators in Venezuela, the major

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*Statement of Mr. Page before the House Interstate and Foreign Commerce Committee, Washington, D. C., June 30, 1948.

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Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 8, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager

Thursday, July 15, 1948

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $35.00 per year; in Dominion of Canada, $38.00 per year. Other Countries, $42.00 per year.

Other Publications

Bank and Quotation Record—Monthly, $25.00 per year. (Foreign postage extra.)
Monthly Earnings Record — Monthly, $25.00 per year. (Foreign postage extra.)
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Margin and Credit Restrictions—Bane of Industry and Stock Market

By WILLIAM WITHERSPOON

Statistical and Research Department,
Newhard, Cook & Co., Members New York Stock Exchange

Stock market analyst lays blame for laggard performance of stock market, despite increase in corporate earnings, to drastic margin requirements and other credit restrictions. Holds, in order to sufficiently liberate credit, margin requirements should be reduced to 40% or 35%.

Prices are high; the forces of inflation are exerting their power upon almost every segment of our economy. Prices of farm products and the cost of living have risen to historically high levels, and the prices of manufactured goods are ascending in the upward movement of the wage-price spiral. All prices are relatively high—except stock prices. The stock market is the only public market place in our economy that has not felt the full effects of the inflationary force of our money supply. This is an enigma in this "prosperous" nation.

William Witherspoon

Our money supply has increased about 180% since 1939. The Dow-Jones index of commodity futures has risen about 215% since that time, the cost of living has ascended 125%, but the stock market has advanced only about 33% from prewar levels according to "Barron's" index. This laggard performance of stock prices is in spite of an increase in corporate earnings of 110% and in dividend payments of 78%.

There must be a reason for the lagging stock market, and it would seem that the answer is two-fold. In the first place, corporations in general have required very little plant expansion—since their splurge in the 1920s—until these postwar years. They needed no expansion, because there was an over-abundance of manufacturing facilities to accommodate the money supply and its rate of turn-over existing in the 1930s. But as this money supply was substantially increased during the war years through the monetization of the Federal Debt, and now that its turnover is approaching prewar levels, it is incumbent upon industry to expand facilities in order to accommodate the additional demand that has thus been created. However, in the second place, the ability of corporations to obtain capital funds through the sale of equity securities at reasonable prices has been gradually restricted and largely strangled during the years of the New Deal. Therefore, there is currently an abundance of unabsorbed stock, and the burden is placed directly upon the prices of equity stocks. This restriction of credit for the financing of new capital is centered around margin requirements, taxation and a redistribution of wealth.

It was after the sharp break in the stock market in 1932 that the Federal Reserve Board was empowered to determine margin requirements. These were intermittently advanced until they reached 100% in January 1946. At that time no borrowing could be done on securities, and although some relaxation to 75% has since been granted, the restriction is still quite severe. In order sufficiently to liberate credit on security loans, margin requirements should be reduced to at least 50% and possibly to as low as 40%, or even 35%. This would be a drastic reduction in margin requirements, but if industry is to survive the next business recession without becoming seriously crippled, a reduction should be quickly instituted.

If credit is not relaxed in order to unshackle stock prices, they will continue to be slow to advance even in spite of the present inflationary forces. However, the need for equity financing is present and corporations must sell an abundance of securities at these depressed prices to raise sufficient funds to pay for plant expansion at the currently inflated building costs. Therefore, corporations will, in general, find themselves with an over-extended capital structure when the end of this era of prosperity comes to a close. Then there will be an even greater abundance of stocks, and the subsequent drop in security prices may approximate the severity of the 1929-32 break.

Think of the additional burden on the capital structure of corporations if the banking system had not provided large sums for equity financing at reasonable prices in the 1920s. Security loans in reporting member banks totaled about $5.7 billion in 1926, $6.2 billion in 1927, $6.9 billion in 1928 and $7.5 billion in 1929—mostly secured by common stocks. This provided the funds to absorb readily the new capital floatations of that period. Now, however, loans on securities other than government issues amount to only $0.94 billion in a larger number of reporting member banks. Nevertheless there is probably as much if not more need now for corporate financing.

In lieu of the inability of industry to finance through equity securities, banks are lending substantial sums of money on short term credits to corporations for plant expansion. To be sure, this is on a temporary basis, but it seems highly inconsistent to allow banks to make such loans, and at the same time to restrict them from making attractive loans to responsible stock investors so that companies can expand their plant

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Ability-to-Pay Taxation Not Compatible With Private Property

By H. K. ALLEN*
Professor of Economics, University of Illinois

Asserting individual property rights cannot be completely subservient to vagaries of taxation if private capitalism is to endure, Prof. Allen finds prevailing ability-to-pay theory of taxation, as represented by progressive taxation, is not as adaptable to U. S. economy as the so-called benefit theory. Holds a broad general benefit principle, under which careful attention would be given to effects of taxes and public services upon property rights, is alone compatible with institution of private property.

In the voluminous literature on the ability-to-pay principle of taxation little consideration has been given to the compatibility of the principle with the institution of private property. Although not universally accepted, this principle is at present the most favored basis for the distribution of tax burdens. The relationship of the ability-to-pay principle and private property is a matter of prime importance because the latter is one of the basic features of modern capitalist societies. Property, moreover, is the primary source of tax-paying capacity. If property rights are to be more than a fiction, principles for the distribution of tax burdens must be reconcilable with such rights. It is not suggested that individual property rights are paramount to the public interest. It is submitted, however, that these rights cannot be completely subservient to the vagaries of taxation if private capitalism is to endure in more than name only.

H. K. Allen

In a private capitalist system it is essential that a balance be maintained between the rights of the individual and the powers of government. The bills or declarations of rights in Federal and state constitutions specifically enumerate the rights of the individual, including the right to acquire, possess, and dispose of property. Limitations are imposed in the basic laws upon the powers of government to interfere with the rights of the individual. In this balanced relationship between the rights of the individual and the powers of government, it is recognized that the scales do not hang even. The rights of the individual must yield when they conflict seriously with the needs of the people as a whole. Yet if the scales are tipped too far in favor of the government, private property and other individual rights become meaningless.

Although the benefit principle was the most widely accepted theoretical basis for the distribution of tax burdens for at least a century, it yielded in popularity to the ability-to-pay principle about the turn of the present century. Among the various factors responsible for this change are the development of democratic government, the great expansion in public services and the corresponding need for greatly increased tax revenues, and the development of the law of diminishing utility.

The Sixteenth Amendment, together with several important court decisions, has created a situation in which income taxation can be carried to the point of confiscation. The ability-to-pay principle, if carried to its ultimate conclusion, leads to confiscation. In the absence of legal protection against confiscatory taxation and with a principle for distributing tax burdens that imposes no limits short of confiscation, the precarious position of private property is apparent.

*Reprinted from "The Tax Review," published by the Tax Foundation, New York City, June, 1948.

Legal Protection of Property Rights

The important position contemplated for property in this country is further evidenced by the protection afforded it in the provisions of Federal and state constitutions. According to the Federal Constitution, "all duties, imposts and excises shall be uniform throughout the United States."[1] Another clause provides that no person shall "be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use without just compensation."[2] Direct taxes are limited by the provision which prescribes that "No capitation or other direct tax shall be laid, unless in proportion to the census or enumeration hereinbefore to be taken."[3]

Similar limitations are also found in the Federal Constitution upon the powers of the States over property. In the exercise of their powers over property, state and local governments are limited by the provisions of state constitutions as well as by those of the Federal Constitution. The most common general limitation in the exercise of the taxing power are the provisions to the effect that taxes shall be "equal" or "uniform." These uniform-tax clauses require that the rate of taxation must be the same on all property, or at least on all property in the same class, throughout a given tax-levying jurisdiction.

Weaknesses in Legal Safeguards

The formidable array of constitutional limitations upon the exercise of governmental powers over property might appear to afford ample protection against a tax system based upon the ability-to-pay principle of taxation, but no such protection is provided under existing law. With the possible exception of a subsistence exemption, the ability-to-pay principle places no limitations upon the amount of taxes that can be imposed. Because of this fact, certain constitutional changes and court decisions have placed the institution of property in a position that is highly vulnerable to a system of taxation based upon this method of tax apportionment. Authority of the Federal Government to levy progressive rates of taxation, except in the case of direct taxes, was conclusively established in *Knowlton v. Moore*. This decision became of far-reaching significance with the adoption of the Sixteenth Amendment, which provided that "The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several states, and without regard to any census or enumeration."

1 Art. I, sec. 8, par. 1.
2 Fifth Amendment.
3 Art. I, sec. 2; sec. 9, par. 4.

In *Knowlton v. Moore* the Court declared that, "If a case should ever arise where an arbitrary and confiscatory exaction is imposed bearing the guise of a progressive or any other tax, it will be time enough to consider whether the judicial power can afford a remedy by applying inherent and fundamental principles for the protection of the individual, even though there be no express authority in the Constitution to do so."[4] The question of confiscation was raised in *Alaska Fish Co. v. Smith*, and the Court's answer was that "Even if a tax should destroy a business it would not be made invalid or require compensation upon that ground alone."[5] Taxes can thus be extended to the point of confiscation provided they comply with procedural and other legal requirements. Because of this fact, the incompatibility of the ability-to-pay principle with private property becomes clearly apparent. A chain of legal developments has served to expand the taxing power of government and to weaken the limitations upon this power. These developments have occurred alongside of, and have no doubt been influenced by, a number of factors that have contributed to the present ascendancy of the ability-to-pay principle as a basis for the distribution of tax burdens.

Development of the Ability-to-Pay Principle

Although the ability-to-pay principle attained its present paramount position during the twentieth century, numerous comments on it are found in the early writings on public finance, and taxes in accordance with the principle were used sporadically in early tax systems. During the eighteenth and nineteenth centuries, however, the orthodox view favored the benefit principle and proportional taxation. In the first of his famous four canons of taxation Adam Smith said that "The subjects of every state ought to contribute to the support of the government as nearly as possible in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state."[6] This first part of this maxim seems to endorse the

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4 See 178 U. S. 41 (1900).
5 See 255 U. S. 44 (1921).
6 Adam Smith, *Wealth of Nations* (Cannan ed., 1904), Vol. II, pp. 310-312.

See Improved Outlook for Construction Industry

Myron L. Matthews of Dow Service says it is better than any time since the early '30s. Holds overall construction boom not affected by ending of Title VI loans of Federal Housing Administration.

According to Myron L. Matthews, writing in The Dow Service "Daily Building Reports," the future outlook for construction activity is generally better than at any time since the early 30's when the building industry suffered its first serious pangs of famine resulting from the 1929 stock market collapse which wiped out all kinds of corporate and private equities including resources earmarked for future construction. Currently, according to the judgment of The National City Bank of New York, "The business situation is receiving strong support from construction activity, which by any measure is at record levels. The value of new construction put in place during the first five months of this year was 35% ahead of last year. Residential building showed an increase of 62%; industrial and commercial was about the same and all other construction was up 31%. Contract awards, affording a measure of work to be started, indicate that no let-up is to be expected, but rather the contrary."

Myron L. Matthews

The Bureau of Labor Statistics reports that 2,064,300 people are now employed by building contracting firms on the jobs at on and off-site points. This compares with 1,865,200 one year ago—about 10% more. In may, 1945, employment in construction was 1,093,000; pointing up that current employment is nearly doubled. Even at the year's end the situation was not substantially different, notwithstanding the war's end several months earlier.

An analysis of construction authorized during the first four months of 1948 compared with the first four months of 1947 shows that while many of the nation's cities and adjacent suburban areas have suffered deflation in the rate of their post-war building booms, which in some cases were all out of proportion to what might have been locally expected, the physical volume in New York is nearly double last year's activity. In New Jersey it's 75% up. This is not to say that most urban areas are not doing more building that a year ago, they are busier, but it is noteworthy that New York percentages of increases are no longer lagging behind those of other places. This is the first this optimistic observation has been able to be stated.

It is paradoxical that under these circumstances some contractors should be reporting a lack of work while the majority are full-up with new business. Substantiating the latter is the very impressive rate of contract awards. The explanation being offered in the field why some employers are complaining over famine in a time of plenty is that perhaps they have not adjusted their thinking to recognize that they must now go out and seek business. It is no longer feasible to expect orders for new business to literally be tossed in over the transom as was the case immediately following the war and up until about a year ago. This would seem to resolve itself simply into a matter of the current aggressiveness of the sales program of each employer. Force of circumstance will ultimately produce aggressiveness wherever stagnation prevails. Either this or forfeiture of the enterprise is the alternative. In the face of such logic increased competition will become the great leveler and this, in time and turn, can be expected to contribute its modest share toward building a firm thou-shall-not-pass ceiling over costs and, conversely, lower the floor a peg or two.

The overall construction boom is not to be affected by the ending of Title VI loans. As a matter of fact Title VI money will continue to flow unabated throughout 1948 and into 1949, on projects approved before the deadline. FHA loans under both Title II and VI are reported to account for 37% of total home mortgages for 1948 to June 1. Of the total number of insured mortgages since the war Title VI accounts for 90%. The ending of VI leaves the door open for builders to switch to Title II which facilities remain available but on slightly less liberal terms. Title VI gave insurance up to 90% of current cost. Insurance limit was $8,100 for a single family unit, and $18,000 for a four-family unit. Interest was 4%, 25 year mortgage. During the last month of Title VI, value was the basis of appraisal, not cost. Title II offers an effective guarantee of 86% on 1-family homes—90% on the first $6,000 and 80% on the next $4,000. Limit on 4-family houses is $16,000, insured to 80% of value. Interest at 4½%, 25 year mortgage.

Kuhn, Loeb & Assoc. Offer $80,000,000 Westinghouse El. Debs.

Kuhn, Loeb & Co. heads a nationwide underwriting group of 152 investment firms which is offering to the public today a new issue of $80,000,000 Westinghouse Electric Corp. 2.65% 25-year debentures dated July 1, 1948, and maturing on July 1, 1973. The debentures are priced at 101% and accrued interest. The debentures will be convertible, at the option of holders, at any time on or before July 1, 1958, into common stock of the corporation at a conversion price of $33⅓ per share, which is equivalent to 30 shares per $1,000 debenture.

Representing the largest industrial bond issue to be offered to the public since the marketing of $100,000,000 Socony-Vacuum debentures in June, 1946, the distribution of the new Westinghouse Electric debentures will be facilitated by a selling group of several hundred dealers in addition to the underwriters.

Proceeds from the sale of this issue will be applied to the prepayment in full of the corporation's bank loans presently outstanding in the amount of $80,000,000. The bank loans, due April 30, 1951, and bearing interest at the rate of 1¾%, were originally made in 1946 to repay the corporation's outstanding wartime V Loans and to obtain funds necessary for return to peacetime operations.

Under the indenture a sinking fund is provided calling for the retirement on Jan. 1 in each year from 1953 through 1973 of $1,600,000 principal amount of debentures.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial output the past week suffered some setback as a result of the holiday-shortened week, but notwithstanding this, overall production was maintained at a level well above that of the preceding year.

Both employment and payrolls continued to run high and a dearth of skilled labor was reported in many areas. Strikes in some industries, it was noted, cut into production and made for limited supplies of some materials.

In the textile industry a moderate decline in output occurred during the past week. This was due in part to the curtailment of operations in preparation for the usual vacation periods, in addition to the usual holiday closings. Despite this seasonal decline, textile production compared very favorably with the level of a year ago.

* * *

The strike of the "captive" coal miners continued in force last week making for necessary curtailment of steel output by the major steel producers. It was reported that all the "captive" mines, employing about 27,000 men, were idle. In addition, captive mines, in West Virginia, Kentucky and Alabama employing approximately 14,000 miners were closed down. John L. Lewis, United Mine Workers' President, it was understood, had agreed to appear on Wednesday of the current week before Federal Judge T. Alan Goldsborough to show why he should not be ordered to end the "captive" coal mine strike. Following discussions with the principals in the dispute and Justice Goldsborough there was some speculation that the talks dealt with an effort to end the walkout without a hearing and possible court order on Wednesday.

On Tuesday of this week Justice Goldsborough announced the end of the dispute under a compromise arrangement. Lewis advised the miners that the "captive" mine operators on that day had signed the terms embodied in the contract agreed to by the commercial operators representing 90% of the soft coal industry.

In the bituminous coal industry soft coal prices are being increased to compensate the producers for higher costs resulting from the new wage agreement with John L. Lewis.

* * *

The country's railroads were restored on Thursday, last, to full private management following lengthy negotiations by the White House. The carriers were seized on May 10, 1948, by President Truman's order, to avert an impending walkout that would disrupt the entire economy of the country and bring in its wake hardship and suffering to all.

The settlement on Thursday of the previous week obtained for the unions a 15½ cents an hour pay increase, retroactive to November 1, 1947, in addition to a number of changes in operating rules.

Despite settlement of the dispute, a new round of pay boost demands on behalf of all the 1,250,000 railroad workers is in the offing. Management officials look for the new struggle to begin in September.

* * *

On Friday of last week the Interstate Commerce Commission granted 61 eastern railroads a passenger fare increase of about 17%. According to estimates, the increase should add $61,000,000 a year to the revenues of the Class I carriers. However, the Interstate Commerce Commission report added, the eastern railroads expect revenue passenger miles to decline 12.5% this year. This would mean a $50,000,000 loss in revenue.

The fare increases do not affect commuter fares, which are on a different basis and which were generally advanced 20% in the east last year. The new rates will become effective five days after tariffs are filed with the Interstate Commerce Commission, which will probably be on July 19.

On the basis of hearings conducted in Brooklyn in May of this year, nine members of the Commission found the "record leaves no doubt" the eastern rail carriers need additional passenger revenue. Two Commissioners dissented from the majority opinion.

* * *

Hot weather in most sections of the country and the July 4 week-end combined to stimulate consumer purchases of many seasonal items last week. The demand for automobile supplies and sporting equipment increased substantially, and total retail dollar volume was moderately above the level of the corresponding week a year ago.

There was a slight seasonal decline in wholesale volume during the week. Some wholesale businesses closed temporarily for the annual vacation period following the completion by many retailers of their Fall buying, but warmer weather in most sections of the country stimulated a large volume of reorders for mid-season merchandise.

STEEL CAPACITY RATE ADVANCES TO 90.8% IN CURRENT WEEK

This is a red letter week for steelworkers and steel consumers. The workers will get a "good" raise in pay with a security package, while the steel consumers will get the biggest bump in prices seen in years, states "The Iron Age," national metalworking weekly, in its current summary of the steel trade.

Steel leaders have admitted defeat in the widescale anti-inflation drive initiated by the U. S. Steel Corp. and in keeping with its promise to raise wages and adjust prices if its plan failed, white collar workers along with the steelworkers will also get a sizable raise in salary.

Steel prices will be announced at the same time some steel companies advise their customers that they have formally gone to an f.o.b. mill price system. The increases will be substantial—much larger than at first thought. U. S. Steel which cut prices deeper and on a wider variety of products than most other large companies will likely advance prices by the greatest amount. They may raise the price as much as ½¢ a pound or $10 a ton.

In addition to the restoration of previous price cuts the rest of the price increase will take care of the coal wage hike, which some say will mean $1.25 and more a ton on finished steel; the steel wage

(Continued on page 31)

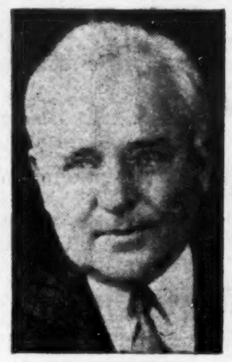
Republicans Evading Sound Money Issue

By THOMAS I. PARKINSON*

President, The Equitable Life Assurance Society of the U. S.

Mr. Parkinson, commenting on brief mention of monetary policy in the Republican Party Platform, again advocates appointment of Monetary Commission to study reform of present currency. Holds if inflation is to be drastically attacked, there must be a thorough renovation of our "managed money" and change in government fiscal policy.

Some time ago we suggested that not since 1896 when free silver was the issue has the soundness of money been so important in a presidential campaign as it is this year. In the platform of 1896 it was declared, "The Republican party is unreservedly for sound money. . . . We are unalterably opposed to every measure calculated to debase our currency." This was a forthright declaration in the face of a popular cry for the abandonment of gold.



T. I. Parkinson

We have long since departed from a gold supported currency; our money supply now consist of $2 billion of coins, mostly silver, $26 billion of paper money which is simply a promise to pay, and $140 billion of bank deposits on which somebody has a right to draw.

It will be seen that by far the greatest part of our present money supply is in bank credit, and it is the expansion of bank credit which has adulterated our money supply and reduced the purchasing value of the dollar. From this flow high prices, demands for higher wages to meet the increasing cost of living, and the doubts and difficulties of making plans which involve dollar costs and dollar values in the future.

The Republican platform adopted last week declares, "We pledge an attack upon the basic causes of inflation including the following measures," and outstanding among those measures is a "sound currency."

In our present monetary situation it is wholly inaccurate to refer to our whole money supply as "currency." The declaration in favor of sound monetary policies and a dollar protected from further depreciation requires something more today than a general declaration in favor of a sound currency. The current platform's declaration will have to be implemented in important ways if it is to assure the adoption of those monetary measures which will stop the depreciation of the dollar.

Perhaps a party platform is not the place to detail those measures but the content of this platform's declaration would indicate either that its draftsmen did not feel too sure of the subject matter with which they were dealing, or were again haunted by the old fear that monetary corrective measures would involve possible deflation which for the moment they fear more than further inflation.

It is the expansion of bank credit during the war and since the war which has given us our huge increase in money supply. We were told that when the government reduced its debt this expansion of bank credit would be reversed and the money supply reduced. The truth is that since the war ended the government's marketable debt has been reduced by over $35 billion and meanwhile the money supply has been increased by over $20 billion. Practically all of this increase in money supply which determines the value of the single dollar has been due to the deliberate policies pursued by the monetary and fiscal authorities of the Federal Government.

There is no promise of betterment of the situation in the mere declaration in favor of a sound currency. The Republican platform recognizes money and monetary policies as causes of inflation; the trouble is it does not recognize them as the principal causes of current inflation in this country.

We simply cannot hope for the control of inflation and high prices until the increase in the money supply is stopped and a stable dollar established. We have for some time taken the position that the measures necessary to accomplish this result should be worked out by a Monetary Commission representing Congress and the non-official public. It seems to us that it would have been good politics for the Republican platform to have declared in favor of the creation of such a Monetary Commission.

Grover Cleveland once said that it is the average citizen who suffers most from inflation; the businessman or the speculator can adjust himself to the changes which it brings. This is true, and unquestionably it will be the great mass of our people who will suffer if the inflationary trend continues.

If our political leaders understood the inflation problem and realized the extent to which it is really an unsound money problem they would realize also that the mass of the people have an interest in and will support sound monetary measures. The failure in Philadelphia to declare for such measures, or for an immediate study of the whole problem by a monetary commission to develop such measures indicates that the politicians have not informed themselves on the complexities of the monetary question enough to enable them to realize its practical importance and to develop a sound, intelligent monetary plank.

Investigation of the problem is hampered by its innate abstruse character and by the fact that our monetary and fiscal authorities—the Treasury Department and the Federal Reserve Board—are not anxious to spread intelligible information which would expose the dangerous character of our financial operations. When our monetary authorities do not supply us with the necessary leadership and when the bankers who are the practical experts in the monetary field do not get excited about the dangerous trend or its correction we cannot expect our political representatives to be very emphatic.

A drastic attack on inflation means a thorough renovation of our "managed money." It means an end to support of government bond market prices by means which constantly increase bank credit and our swollen money supply. It means that our monetary authorities must promptly cease the unrestricted purchase by the Federal Reserve of Government bonds held by the banks. It is true this will reduce the earning assets of the banks, but it is better for the banks to reduce their earning assets than to go on increasing the number of dollars.

It was not easy for the Republican leaders in 1896 to declare emphatically in favor of a gold secured currency. It would not now be more difficult and might be similarly politically advantageous to declare emphatically for those measures essential to keeping our money supply and its unit, our dollar, sound and stable.

*A statement by Mr. Parkinson distributed by the Continental Press Syndicate, Brightwaters N. Y.

"OBSERVATIONS"
See Cover Page for this week's article by A. Wilfred May

L. B. Gage Opens Own Office in Springfield

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, MASS.—Leonard B. Gage has opened offices at 1387 Main Street to engage in the securities business. Mr. Gage was formerly resident manager for J. Arthur Warner & Co. Prior thereto he was an officer of Davenport & Co.

With John B. Dunbar Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL. — Robert B. Sheahan is now with John B. Dunbar & Co., 634 South Spring Street. He was previously with R. F. Ruth & Co.

Salesmanship a Necessity Now

By EARL O. SHREVE*
President, Chamber of Commerce of U. S.

Asserting period of buyers' market is in sight, Mr. Shreve points out America now holds opportunity for improved salesmanship. Says American market has become core of world's economy and its success is dependent on creative energies of free men to make American market grow and develop. Sees production in some lines already outrunning demand, and holds this calls for more salesmanship, increasing competitive selling, and more market research.

The United States Chamber of Commerce is working to expound in its larger aspects the meaning of American Opportunity. That is a job requiring the most diligent efforts of salesmanship. The opportunity I speak of now is part of the larger opportunity that is America—the America that stands for freedom, democracy, enterprise, progress, prosperity.

Earl O. Shreve

Here I speak of emerging opportunity for salesmanship. After an extraordinary period of easy selling, of sellers' markets, the tide is beginning to turn. The period of buyers' markets is in sight.

During the war and immediate postwar years of easy selling, the producer could sell nearly anything he could turn out. The buyer clamored for his goods. Business was a one-way street, an easy street, for the seller.

Now the turn is here. One after another, markets are beginning to shift back to the buyer's side.

Some long-empty supply lines are full. Some already are overflowing. Others are nearly full. Almost everywhere the supply picture shows improvement over the worst of the shortages.

The producer will have to rely more and more upon his sales force to keep his factory operating. The wage earner on the production line, the office employee, will have to look to the salesman for the push to keep the wheels spinning and payrolls high. America, the land of opportunity, now holds out opportunity for leadership to the salesman.

I, for one, believe that America has the genius of salesmanship to match its unexcelled genius for production. In that faith, I feel privileged to speak on this occasion, before a group as keenly appreciative as you are of the problem of marketing and of the opportunities that exist in the vast American market. All of us can see how the American market has grown great in scope and possibilities.

The Huge Home Market

The population of the United States soon will be 150,000,000 people. Already, it enjoys the greatest income, the highest the most productive industrial standards of living, operating machine the world has seen.

Our huge home market happily is free from the confusing snarl of tariffs, exchange controls, quotas, travel restrictions, international rivalries and hatreds that hamper trade and cramp markets on other continents.

The American market is the salesman's dream, a dream that has all the substance and reality of business as we know it today. This market has spread, too, beyond the national boundaries into the wide reaches of the Western Hemisphere, into Europe, Africa and Asia, where the desire for American-made goods has risen to unprecedented heights.

Never in the history of commerce was there such opportunity for salesmanship!

Good salesmanship, vision and knowledge of markets, will be needed as never before to set the pace for a vigorous and expanding economy.

Salesmanship is not a lost art in the United States. The hustling salesman is still as much in the American tradition as the enterprising producer, the creative inventor, the driving organizer and the competent administrator. The fellow who scurries around for the orders provides the zip and go of business in the tough competition of the market place. The salesman is coming back into his own as a driving wheel for industry after the unusual years when orders poured in unsolicited.

Those years of easy selling now stand out in clearer perspective and meaning.

In restrospect, we begin to see the significance of the tremendous events of two world wars and the after effects of those wars.

U. S. in World Leadership

The most important of the sweeping changes in global affairs since 1914 has been the rise of the United States to a position of undisputed world leadership. The American market has become the durable core of the world's economy—certainly of the trade and production outside the darkness of the Iron Curtain. The historic importance of the upward surge of the United States is emphasized by the challenge of Communist Russia, and its police state, as the opposite political and economic pole from free America. Around these two poles world events now tend to move in a clash of ideologies and systems.

The cold war is fought with the weapons of diplomacy, propa-

(Continued on page 30)

*An address by Mr. Shreve before the New York Chapter of the American Marketing Association, New York City, June 30, 1948.

With Herrick, Waddell Firm

(Special to THE FINANCIAL CHRONICLE)

FT. WAYNE, IND.—James E. Walley has become associated with Herrick, Waddell & Reed, Inc., 55 Liberty Street, New York City.

Joins Central Republic Co.

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND.—Russell B. Dickson is now connected with the Central Republic Co. of Chicago.

LETTER TO THE EDITOR:

Holds Military Authorities Hamper Voluntary Enlistments

Jim Howard replies to criticism of his article in "Chronicle" of June 17 with reference to sabotage of voluntary enlistments.

Editor, the Commercial and Financial Chronicle:

I was not greatly surprised to read in the July 1, 1948, issue of the "Chronicle" the letter of Mr. D. F. McRae criticizing my article: "Peacetime Draft Is Threat to Individual Liberty and Our Free Enterprise System." Commissioned military personnel are not accustomed to criticism and men who have spent as much as four years enjoying the power and privileges of the officer rank grow used to the military tradition which holds that "an officer can do no wrong." In other words, in his relationships with those of lower rank or the enlisted personnel anything an officer does is regarded by himself and his superiors as permissible within very wide limits.

For this reason it is difficult for ex-officer personnel to readjust their thinking to the age-old customs of our American democracy after living in the totalitarian world of the military, in which constructive criticism cannot exist but only the relationship of the chain of command.

We all know these conditions exist, but since they are true of the military organizations of every nation, there is little occasion to comment upon the autocracy which is the military, *until that military authoritarianism attempts to extend its influence into civil life.* We recognize totalitarianism as a necessary evil of a military organization or, at least, we have become accustomed to regard the extension of the practices of democracy as impossible in military life. Let us never forget that any military organization is an ever-present menace to the continuance of democracy in the nation of which it is a part.

In its social and political outlook, West Point and Annapolis are foreign to the free, democratic spirit of America. Unquestioning subjection to superiors on duty, and undemocratic social stratification off duty, are well known. Regular army domination of a universal conscription or training program would transmit these traits to all America. The regular army opinion of democracy is expressed in the army training manual in use about a decade ago:

"Democracy: A government of the masses. Authority derived through mass meeting or any other form of direct expression. *Results in mobocracy.* Attitude toward property is *communistic*, negating property rights. Results in demagogism, license, agitation, discontent, anarchy."—West Point Manual (underlining inserted).

The above unguarded public expression was eliminated after public opposition in recent years but the above idealism is still inculcated through oral channels . . . into the new officer candidates.

Perhaps this may explain why my navy officer critic even goes so far as to hint "strong flavor of Communist propaganda" in his letter criticizing an article in defense of the one American tradition (the tradition of no peacetime conscription) which had not yet been destroyed by Old World totalitarianism entering America through our military departments. The military indoctrination for American officers as indicated by the above quotation from West Point manual inculcates in them a contempt for democracy, even confusing it with the utterly foreign practice of communism and holding that by definition there is no difference between democracy, mobocracy and communism.

In other words, the military officer, like the Fascist and Communist citizens of decadent, backward European nations, is trained to regard democracy, our priceless heritage which guarantees individual liberty, as an evil not to be distinguished from communism.

I strongly suspect that Mr. McRae had had sufficient civilian experience before his entry into the military to enable him to appreciate the fact that it is not the free constructive criticism of things within a nation by its citizens that is dangerous, but the absence of this criticism that is to be feared. Whenever America, and I pray it never will, decides to legislate, like Communist Russia, against freedom of speech so that an American citizen does not dare express himself with respect to the program of appointed officials of a government bureau, then we shall have gone the military way toward totalitarianism for all our citizens and our military department will probably have gained control over civil government.

For Mr. McRae's benefit I should like to quote from the public address by Associate Justice William O. Douglas, Supreme Court of the United States, delivered March 22, 1948, before the University of Florida, which clarifies most concisely our problem of eliminating communism and other equally deadly ideals, such as militarism, from American civil life. Although personally opposed to New Deal policies and holding strong anti-socialist views, I recognize the wisdom of the following statements:

"The age-old problem of society is to be free of the domination of any one class and to provide the greatest opportunity for each individual to work out his own destiny. That has been the struggle of man throughout recorded history; and man has had the greatest success in that effort under the democratic form of government. The Communists by promoting the contrary theory join the Nazis in giving to one clique the power of exploitation.

"At home we must put an end to the shameful practice of branding everyone a communist who espouses a liberal reform or promotes a program for the under-privileged. . . . We need not ape the Communists to combat them. There are not over 100,000 Communists in this country. They would be impotent if we, the democrats, took our politics seriously and threw our full energies into political organization and activity."

It was the practice of the military officers of indiscriminately calling anyone who opposed a program desired by the military bureaucrats, a Communist or Paci-

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From Washington Ahead of the News

By CARLISLE BARGERON

PHILADELPHIA, PA.—And so it came about, as the Democrats were going down to defeat, they gave honor to "Dear Alben" Barkley, who had been their wheelhorse through the days of their plunder. They could not have honored a more deserving servant. Yet it was sort of like the tycoon who on his death-bed realizes that his valet has served him long and well and at the last moment bequeaths him $1,000.

Carlisle Bargeron

The irony of his getting the vice presidential nomination at this late date is scarcely lost upon Barkley. He has a sense of humor. He knows the vicissitudes and ingratitude of politics. In 1944 he was one of those who had been given the nod by Roosevelt. He wanted the vice presidential nomination badly at the time. As things turned out he would have become President of the United States.

There is no abler man in the party than this distinguished son of Kentucky. Yet his experience with the New Deal makes one wonder what distinction and ability mean. Indeed, what does leadership mean?

Ever since Roosevelt annointed him with his famous "Dear Alben" letter in 1939 and made him the Senate leader, he has held a high position in his party. But it is difficult to see, outside of patronage here and there, a more prominent place at the Washington dinner tables, and the acquaintance of "important" people, just what it has gained him.

The structure of the New Deal of which he was a "leader" was such that he had little or no part of it. Leadership, in his instance, meant to get through the Senate what the bright young men uptown prepared and sent up to him. I can't recall one single instance in which he was called in to discuss policy.

It is an amazing thing but it is a fact that here is a man who was outstanding in one of the most revolutionary movements ever to grip this country and yet had so little to do with it. You wonder why a man of his ability was content to permit this. Had he not permitted it he would not have remained the leader that he was purported to be, but he would have been more of a leader in fact.

Men like Walter George and Harry Byrd have left their impress upon the country's history. They had to do with shaping the revolution. They were effective restraints. Barkley, their equal in ability, had nothing to do with it except as a mechanic in Senate procedure.

It is a difference in temperaments. Barkley is not one to take life too seriously or to worry too much about the state of the world. To him, and this is not intended as any disparagement, politics is a great game. At it he has played hard and capably.

His keynote speech was a classic. It was old fashioned Southern oratory at its best. It is safe to say, too, that Barkley spent little time in the preparation of it, probably would not have had a prepared manuscript had it not been for the demands of the press and radio.

One listening to it could not help believing that what he was saying was true while knowing in his heart that it wasn't. Barkley is a convincing fellow.

It unquestionably gave a lift, also a lift, to the Democratic campaign. It is a commentary on something that he put the Republicans on the defensive about the Marshall Plan.

We will have the pretty spectacle as the campaign unfolds of one political party claiming that it was almost solely responsible for pouring away billions in Europe and the other party insisting that it was just as much responsible.

You would think both parties would want to hang their heads in shame. But such has politics come to in the year 1948 that it is supposed to be a political asset to throw away money abroad. You wonder why this is so.

It seems to me that if the voters of this country do consider the Marshall Plan an outstanding accomplishment, that if they consider it to be paramount to domestic issues, as the global minders claim, then they should support the New Deal. Unquestionably the Marshall Plan was their conception. The Republicans would never have thought of it on the grand scale that it is. Barkley is right when he says that they have just tagged along.

But it is good to see him get the vice presidential nomination. As a spellbinder he has few equals. He will add melody to the campaign.

COMING EVENTS

In Investment Field

July 16, 1948 (New York City)
New York Curb Exchange Employees Quarter Century Club-Exchange dinner at Freeport, L. I.

July 16, 1948 (Toledo, Ohio)
Bond Club of Toledo annual outing at the Inverness Country Club.

July 19-22, 1948 (Portland, Oreg.)
Annual Convention of National Association of Securities Administrators at the Multnomah Hotel.

Aug. 27, 1948 (Denver, Colo.)
Bond Club of Denver-Rocky Mt. Group of IBA joint Annual Party at Park Hill Country Club.

Sept. 10, 1948 (New York City)
Security Traders Association of New York Summer Outing at Travers Island.

Nov. 15-18, 1948 (Dallas, Tex.)
National Security Traders Association Convention.

Dec. 5-10, 1948 (Hollywood, Fla.)
Investment Bankers Association 1948 convention at the Hollywood Beach Hotel.

David B. Lawrence Opens

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA.—David B. Lawrence is engaging in a securities business from offices at 317 Baronne Street.

With Herrick, Waddell, Reed

(Special to THE FINANCIAL CHRONICLE)

ST. JOSEPH, MO.—Harry D. Snyder is with Herrick, Waddell & Reed, Inc., 1012 Baltimore Avenue, Kansas City.

New Status of Radio Industry

By H. C. BONFIG*

Vice-President, Zenith Radio Corporation

Prominent radio producer, maintaining radio industry has come of age and now gives evidence of stable growth, says it has become a billion dollar industry. Predicts radio and television will get more of consumers' dollar and calls for tossing out as rapidly as possible economic malpractices in the industry which caused so much trouble. Sees need for better selling technique.

I entered the radio business in 1922. This was before the days of commercial broadcasting, when radio was a novelty and a toy. Most sets were manufactured in tiny shops that would not even house the testing booths of a modern radio factory. It was an opportunist's business in those days. Anybody with a few dollars, a circuit diagram, a soldering iron and a pair of pliers could become a manufacturer.

H. C. Bonfig

Since then radio has grown enormously and for years has sold in greater dollar volume than any single electrical appliance. But, in spite of its enormous dollar volume, radio has been less profitable for most dealers than some other appliances.

In its brief history the radio industry has seen 788 brand names vanish from the scene—in the past two years alone, more than 50 radio manufacturers have gone out of business, leaving several hundred thousand orphaned sets in the hands of dealers and the public. Of the seven makes of radio I handled in 1924, only two are being manufactured, and one of these plays only a small role in its maker's total operating picture. With most major manufacturers today, radio began as a side line to an already established business. I know of only one major producer, my own company, that began strictly as a radio manufacturer and that has confined itself to the manufacture of radionic products throughout its history.

Blame for the troubles that have beset our industry must be shared by some manufacturers, by dealers, and by the inherent nature of our business through its early years. It has always been so easy to get into radio manufacturing in the past that many ambitious youngsters or opportunists opened small factories without either adequate financing or knowledge of how to sell, and in many cases with little if any knowledge of how to manufacture. Most of them bloomed a little while, contributed their mite to the total industry production, and then went broke. Inventories were liquidated by dumping a few hundred or thousand sets on the market at bargain rates. Dealers, unable to resist bargains, bought up bankrupt stock and ran stupendous mark-down sales that knocked all other radio business, including their own sales on established lines, into a cocked hat. That sort of thing has been going on ever since radio was born. It is happening all around us today as the last of the postwar opportunists are finding their way through the wringer. The situation was further complicated by the many manufacturers of other products who entered radio. A few succeeded, but most failed and dumped distress merchandise on the market. On almost any day you can see ads featuring established brands of radios at price reductions of as much as 50%, particularly those with whom radio is a volume-adding side line.

Dealers must shoulder a substantial share of the blame for making dumping possible. To many of them radio has always been a price business rather than one of selling quality merchandise on its merits. These short-sighted handlers of merchandise—I cannot dignify them by the name "merchants"—handle good radios and bad without any particular preference. They don't know their sets, don't know how to demonstrate them, and frequently give an impression of not even caring. I have walked into stores where I was unknown, had combinations demonstrated for me with records of such poor quality that no phonograph could play them properly. In good FM markets I have encountered salesmen who did not know how to tune FM on any of the sets they had on the floor. Others had no idea even of how to handle the tone control.

In this present era when the public is becoming more and more insistent upon quality and performance, far too many salesmen still act as if people will rush to buy anything that can be called a radio. Unfortunately, too many manufacturers seem to feel the same way about their business.

Effect of Post-War Demand

At the close of the war there was such an accumulated demand for radio sets that you could sell anything that would play. Many manufacturers, particularly fringe operating newcomers, took advantage of this situation to load the market with junk. Then came the day when urgent demand was satisfied, when the public became more discriminating. Fringe operators went out of business, but the situation did not improve. We entered an epidemic of forced selling. Retail clerks were offered elaborate bribes to push the sale of specific brands, and it took the full force of the Federal Trade Commission to stop these tactics in time. Had they not been stopped, we today would be selling premiums and giving away radios. You, gentlemen, would have taken substantial losses on your entire stock of radios, although your salesmen would have taken beautiful chests of silver home to mama.

I can assure you that deals and dumping are not necessary for radio manufacturers who emphasize quality and sound merchandising. Zenith lost its shirt financially in the first postwar year for the simple reason that we brought out an entirely new line of postwar receivers and ran into terrific production problems when parts manufacturers laughed at the rigid specifications our engineers had established. However, we stuck to our guns, and through the second year when dumping, spiff campaigns and pressure deals were used to force unsalable radio sets on the public, we had to continue allocating our entire production. Today, when our factory is theoretically closed for vacation, we are compelled to keep four production lines running full tilt to meet demand for different models in

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*An address by Mr. Bonfig before the National Electrical Retailers Association, Mid-Year Leadership Conference, Chicago, Ill., July 13, 1948.

The World Bank and European Recovery

By JOHN J. McCLOY*
President, International Bank for Reconstruction and Development

Maintaining World Bank was established to stimulate and supplement flow of private capital in way to avoid both political vagaries of intergovernmental credits and fluctuations and misdirection of private international financing, Mr. McCloy lays difficulties in carrying out Bank's role to slow progress of European recovery. Says ERP was needed to effect essential reorganization of European industry on larger scale than Bank is capable of operating, and stresses importance of effecting Western Europe's economic integration. Concludes World Bank will supplement ERP financing.

Just four years ago, in July, 1944, leading financial experts from 44 of the United Nations gathered together, not far from here, in the quiet little New Hampshire resort town of Bretton Woods. In the various capitals from which they had come, the atmosphere was tense for the war was still at its height; the allied armies had only recently landed in Normandy and were still struggling hard to establish and extend their beachheads. Against that background, the Bretton Woods Conference convened to consider, calmly and co-operatively, what kind of international financial mechanisms would be necessary to solve the economic problems which were likely to face the world after hostilities had ceased.

John J. McCloy

The United States took the lead in organizing that conference and in framing the agreements which emerged from it, for Americans had learned in the two decades between the wars that the United States, for all its great resources and enormous productive capacity, could not isolate itself from the impact of world events. The economic fluctuations and crises of the 1920's and 30's had demonstrated the importance to the welfare of the United States, equally as much as to that of the rest of the world, of maintaining an ample and steady flow of international capital into productive undertakings. They had also revealed certain shortcomings in the traditional methods of foreign financing, through private investment and intergovernmental loans. It appeared likely, in view of the enormous destruction and dislocations caused by the war, that these traditional methods would not, by themselves, be adequate to supply the capital that would be needed for post-war reconstruction and development.

It was recognized at Bretton Woods that intergovernmental financing would be necessary to meet immediate relief and rehabilitation requirements, through UNRRA and other channels, but government aid was properly regarded as too inflexible, too spasmodic, too beset with political considerations to meet long-range investment needs. On the other hand, it seemed very unlikely that private capital could alone do the job without some form of governmental guarantee, in view of the great sums required and the financial risks involved. The International Bank was therefore established as a means of stimulating and supplementing the flow of private capital, in a way which would avoid on the one hand the political motivation and vagaries of intergovernmental credits and, on the other, the fluctuations and not infrequent misdirection of private international financing.

Problems Facing Bank

The Bank was organized to the point where it was ready to do business not much more than a year ago. It was faced immediately with the tremendous problem of European recovery. Europe had made amazing strides in restoring its productive capacity during the first 18 months after the fighting ended. Industrial production in the major European countries, excluding Germany, had reached 98% of the 1938 level by the end of 1946, and even if Germany is included the production figure was 83% of prewar; this compares very favorably with the rate of recovery from the far less devastating effects of the First World War. But, at the time the Bank was ready to commence active operations, further advance was hampered by a series of adverse circumstances which threatened to undo all the gains that had been achieved.

The first setback came from an act of God—the weather. The cold and snow of the winter of 1946-1947, and the heat and drought of the following summer, were of record severity. As a result Europe's slim fuel reserves were exhausted, her industrial output was curtailed, her crops were far short of normal, and her need for foreign supplies was greatly increased.

Meanwhile, the failure of German production to revive left an economic vacuum in the heart of Europe; it was impossible for Germany's neighbors to obtain adequate quantities of coal, steel, chemicals and machinery from their normal supplier, or to sell their own products in the German market. Moreover, the widening political gulf between East and West slowed down the traditional exchange of Western European manufactured goods for the food and raw materials of the Eastern countries. The necessity of substituting Western Hemisphere supplies for Eastern European products seriously aggravated the drain on Europe's dollar resources.

Finally, last summer, the progress of European recovery was given a further blow by the failure of sterling convertibility. The weakness of the British financial position and the acute shortage of dollars elsewhere made it impossible for Britain to continue to give dollars to holders of pounds for more than a very short time; the old restrictions had to be reimposed. As a result the shortage of dollars in other countries was aggravated, and the prospect of removing wartime shackles from world trade was given a severe setback.

These occurrences served to emphasize what had for sometime been apparent, that the assumptions made at Bretton Woods about European recovery had been too simple and too optimistic. Reconstruction had been conceived of mainly in terms of rebuilding factories, mines, railroads and other productive facilities, financing them through loans from the International Bank to the extent that necessary funds could not be furnished from other sources. But the economic problems confronting Europe two years after V-E Day involved much more than merely the repair or replacement of specific productive facilities. The continuing lag in exports of the European countries, their need for relatively high-cost supplies of food, fuel and raw materials from the Western Hemisphere in order to keep production going, and their necessary reliance on the United States for shipping and other services, left them with a large and irreducible deficit in their balance of payments, especially in relation to dollar areas. By the end of 1946 their resources of dollar exchange had fallen to dangerously low levels, and their credits from the United States and other Western Hemisphere countries had largely been exhausted.

The International Bank's loanable capital at that time amounted to only about $730 million, derived from the United States subscription and the small portion of other members' subscriptions that had to be paid in gold or dollars. This was obviously far less than was required to fill the financial gap in Europe, even apart from the pressing and justifiable demands upon the Bank from other areas, but the urgency of Europe's need could not be denied. The Bank therefore granted a series of four reconstruction loans — to France, The Netherlands, Denmark and Luxembourg—totalling about $500 million. These loans, by permitting the borrowing countries to sustain for a time the necessary volume of essential imports, prevented a disastrous drop in production and possible economic collapse.

We were fully aware, however, that these loans, vital as they were, provided only a partial solution. What was needed was a far-reaching reorganization of European production and trade. Even before the war Europe's economy, divided into small and often inefficient national units, and dependent in many cases on obsolete productive equipment and methods, had for some time been losing its place of leadership. Even then Europe was living partly upon the fat accumulated in previous decades—upon income from foreign investments, upon colonial produce, upon remittances from emigrants to the New World, and so on—and these resources were drastically depleted in the course of the war.

I think it may be fair to compare the position of the Western European countries to that of a group of famous old manufacturing and trading companies, long leaders in their field, whose production and merchandising methods had lagged behind some of their newer competitors, but who nonetheless were able to maintain an important standing in the trade because of their high reputation and excellent commercial contacts. Suddenly they have been struck by a series of disasters, which have destroyed essential equipment, wiped out their savings and forced many of their long-time customers to turn to new suppliers. Their fine reputation, their knowledge of the business, their still valuable productive facilities will not suffice to get them back into effective profitable competition without a reorganiaztion of their capital structure, rationalization of their productive system, and provision of enough new money to put them on a sound footing.

In the case of Europe, ERP furnishes the opportunity for just such a reorganization. The success or failure of ERP will not and cannot be measured either by the

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*An address by Mr. McCloy before the Institute of the United Nations at Mount Holyoke College, South Hadley, Mass., June 6, 1948.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Aircraft—Analysis of Outlook for the Industry — William R. Staats Co., 640 South Spring Street, Los Angeles 14, Calif.

Asset Number One — Tested methods used by leading companies who can say they know their stockholders and their stockholders know them—write on letterhead for Booklet C—Georgeson & Co., 52 Wall Street, New York 5, N. Y.

Common Stock Program for Investors—Stock guide listing over 50 issues in 12 basic industries—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Cotton Data Folder for 1948 (a feature of Cotton Data Service)—E. K. Hutton & Co., 61 Broadway, New York 6, N. Y.

New York City Bank Stocks—Quarterly comparison of 19 stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Public Utility Financing Prospects— Analysis in "Fortnightly Investment Letter"—T. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

In the same issue are data on **Chesapeake & Ohio, Central of Georgia, Chicago & Eastern Illinois, Chicago, Indianapolis & Louisville,** and **New York, New Haven & Hartford.**

Railroad Developments — Leaflet of current developments in the industry—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Sports As An Industry—Discus-

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Public Utility Securities

Commonwealth & Southern

Commonwealth & Southern's dissolution plan is progressing favorably, although two hurdles remain—final approval by the SEC and confirmation by a Federal Court. On June 11 the SEC released the "Draft of Proposed Findings and Opinion Recommended by the Division of Public Utilities." As anticipated, this conformed in general with the suggestions made a short time previously in a letter to Commonwealth signed by attorneys for the Preferred Stockholders' Committee of United Gas Improvement Company, of Investment Associates, Inc., and of Arthur M. Loew, representing holders of substantial amounts of preferred and common stock.

On July 7 President Justin R. Whiting of Commonwealth announced that an amendment to the Reorganization Plan of July 30, 1947, was being filed with the SEC. Under the plan as amended, the holder of each share of preferred stock (on which dividend arrears are now $17) would receive 2.80 shares of Consumers Power (instead of 2.52 share), .55 share of Central Illinois Light and $1 in cash (instead of $3).

It had previously been assumed in the Street that when the preferred stock was retired through the mandatory exchange plan, remaining assets of Commonwealth would shortly thereafter be distributed to the common stock. However, the big construction programs now under way operate against this program. The SEC is anxious to maintain the capital structures of holding company subsidiaries on a sound equity basis (with at least 25% in common stock and surplus). Since the issuance of bonds and preferred stocks for construction funds would automatically reduce the common stock ratios, in some cases this requires the holding company to purchase additional amounts of common stock in order to maintain the equity ratio. This is apparently what is happening in the Commonwealth picture.

Southern Company, the recently created subholding company for the Southern group, needs about $20 million to advance to its subsidiaries (in return for common stock); part of this is being obtained from Commonwealth (using cash received from sale of South Carolina Power to South Carolina Electric & Gas), and the balance is to be raised by sale of some $10 million or more common stock to Commonwealth or the public. This sale has now been postponed to later in the year, presumably in hopes of obtaining a better market.

The SEC also indicated some time ago that over $13 million equity money should be put into Consumers Power by Commonwealth. The amended Commonwealth plan now proposes that other Northern subsidiaries (Ohio Edison and Southern Indiana Gas & Electric) should also receive about $10 million, making total cash requirement of $33,500,000. It is estimated that Commonwealth by the end of this year will have about $20 million cash available, and this will be augmented in 1949 by estimated income of $9-$10 million. Commonwealth proposes to resort to temporary bank loans (not to exceed $25 million), but it is possible that some subsidiary stocks might be sold, which would reduce or cancel any necessary borrowing. It is proposed to retire these bank loans within two years after the effective date of the plan.

The amended plan also proposes to retire the preferred stock and to distribute remaining assets to the common. The latter distribution would be in two steps, first, one-third share of Southern Company stock plus a fraction of a share of Ohio Edison (unless the latter stock is tied up in a bank loan); and later "from time to time" remaining available assets.

The program now proposed apparently means that if the amended plan is approved, the final distribution and dissolution may not occur for another two or three years (anticipated opposition to the amended plan by the Snyder Committee may defer final Court approval, it is conjectured). The plan appears to follow the new trend as proposed in the recent Niagara Hudson recap plan, of paying off senior claims gradually through holding company dividend income rather than from cash derived from sale of stock holdings.

Liquidating value of the proposed preferred "package" is estimated at $116 (close to the $117 claim of par and arrears) versus the current price around 101. The common stock is currently selling around 3⅜ compared with liquidating value estimated by the Street in the neighborhood of $5.

"New Deal" Accomplishments

By HON. ALBEN W. BARKLEY*
U. S. Senator from Kentucky

In keynote address to Democratic Party Convention, Sen. Barkley lists accomplishments of Democratic Administration since 1932. Scores failure of 80th Congress to carry out Truman recommendations, but lauds bi-partisan foreign policy and adoption of European Relief Program. Upholds "inalienable rights" as enunciated in the Declaration of Independence and avoids direct reference to President's civil rights program. Pleads for international cooperation and U. S. leadership in fostering world peace and prosperity.

We have assembled here for a great purpose. We have a solemn commission from millions of American men and women. We are here to give to them an accounting of our stewardship in the administration of their affairs for 16 outstanding and eventful years, for not one of which we make apology.


Sen. Alben Barkley

We have come together to lay before the American people our articles of faith and to nominate, in harmony with them, our candidates for President and Vice-President of the United States.

We shall not follow the example, so egotistically set by our opponents from this rostrum three short weeks ago, by announcing the result of the contest four months in advance.

In a broader and deeper sense, however, we are assembled in the name of American democracy.

And, in the juncture of world affairs today, we assemble in the name of democracy for all mankind everywhere, without regard to race, creed, color or nationality, without which it cannot be preserved anywhere.

Our claim upon the confidence of the people rests upon a consistent, constructive and farsighted record of devotion to the people's welfare; a record which rescued the American economy of free enterprise from a collapse we did not foster; a record which four times the American people have overwhelmingly endorsed. In humility, but profound sincerity, we trust they will endorse it again.

There has never been greater need in the world than now for the sort of leadership which, from its origin, the Democratic Party has given in the development and fortification of democracy in America.

This leadership has not been sectional. It has been national. It has not sought to advance one class to the unjust detriment of others.

The unprecedented challenge which beckons us to service in these uncertain times demands that we look beyond the metes and bounds of states or nations or partisan political organizations to survey the obligations resting upon the democratic process, which we espouse, in rebuilding the hopes of a devastated world.

In the midst of such a summons, and on the basis of our record, we meet here today, and shall meet our opponents, all and sundry, in this contest and on the day of election next November.

New Deal Record

What is this record of which I speak? What is the sum total of these accomplishments which we have wrought in the 16 years now drawing to a close?

They call it the "New Deal." At every Convention since 1932, and on every political rostrum, Republican politicians have hurled their anathemas at this "New Deal" as if it were some blight or plague that had poisoned the lives and consumed the liberties of the people and kept them chained and helpless.

In determining the validity of these diatribes, let us inquire what is this cankering, corroding, fungus growth which every Republican orator, save one, at their recent Convention denounced with unaccustomed rancor, then, in their adopted platform, hugged to their political bosom as if it were the child of their own loins?

In the first place, it was recovery. The new administration of Franklin D. Roosevelt breathed into the nostrils of every worthy American enterprise, large or small, a breath of new life, new hope and new determination. It put old agencies of the government at the people's disposal and, where necessary, it inaugurated new ones to make democracy live and work for the American people.

What, therefore, is this "New Deal," which Republican orators denounce and their platforms seek to imitate?

I cannot here chronicle in detail the great body of laws and policies inaugurated by a Democratic President and a Democratic Congress, which have become as secure a part of American statute law and American policy as the Federal Reserve System itself and the laws against trusts and monopolies.

In spite of the chronic and noisy opposition of this program's enemies, the American people will not willingly surrender the great gains which they have made under it. For—

"The Moving Finger writes; and, having writ,
Moves on: nor all your Piety nor Wit
Shall lure it back to cancel half a line
Nor all your Tears wash out a Word of it."

"Bill of Particulars"

But I call attention to the following items in our bill of particulars, of which we would remind the American people as evidence of our good faith with them and our service to them:

A Farmer's Agricultural Adjustment and price support program which, in 16 years, has increased farm income by 800%, substantially reduced interest rates on farm credit, reduced farm mortgage indebtedness by more than 50%, and farm mortgage foreclosures by 95%.

A Soil Conservation Program which has arrested the wasting processes of soil erosion, by which we propose to hand this land of ours down to other generations capable of their support.

A Rural Electrification Program which has lifted from millions of farm women the drudgery of exhausting housework and brought to millions of farmers the boon of electric power for their homes and barns and farm equipment.

A program of development of our water resources for navigation, flood control, and power, as exemplified by the Tennessee Valley Authority, the Grand Coulee Dam, the St. Lawrence Waterway and other efforts to make these God-given natural resources the servants of the public rather than the objects of private exploitation and recurring destructive catastrophes.

A Labor Relations Act, a Fair Labor Standards Act and other measures for improving conditions of labor and relationships between employers and employees.

What is this "New Deal" which Republican politicians decry?

A Reciprocal Trade Program, urged by Cordell Hull, one of the greatest Secretaries of State in the history of the United States, and enacted by a Democratic Congress, under which American capital and American labor have been able to increase their markets throughout the world without substantial injury to any American industry.

What is this whipping boy which Republican speechmakers use for their lamentations at every Convention and on every platform?

More Federal Agencies

A reorganized and stronger banking system and a Federal Deposit Insurance Corporation which has reduced bank failures in the United States from 4,004 in 1933 to only six in all of 1947, by reason of which the American people are allowed to go to bed at night without fear that their hard-earned savings will evaporate before the dawn of morning.

A Federal Housing Administration under which hundreds of thousands of homes in this nation were built and improved.

A Home Owners Loan Corporation which rescued hundreds of thousands of homes in town and city from immediate foreclosure, representing a reduction in non-farm real estate foreclosures from 252,000 in 1933 to only 10,000 in 1947.

A Commodity Credit Corporation, an Export-Import Bank, a Federal Home Loan Bank, a Bank for Cooperatives, and other institutions for the service of the American people.

An expanded Reconstruction Finance Corporation, strengthened and fortified by a Democratic Congress and a Democratic President at a time when it was the only money-lending agency in the nation capable of averting financial disaster.

A statute abolishing the holding company evil and a Securities and Exchange Commission to supervise the issue and sale of corporate stocks and protect the American people from the fraud to which they had been subjected under the boom and bust days of a previous administration.

A Good Neighbor Policy, inaugurated by President Roosevelt and Cordell Hull, to bring into more friendly relationships the great nations of the Western Hemisphere, more recently cemented by economic and political pledges guaranteeing the solidarity of cooperative Pan-Americanism as a substitute for the sordid concept of dollar diplomacy, which

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*Keynote speech of Senator Barkley at the Democratic Party National Convention, Philadelphia, Pa., July 12, 1948.

Missouri Brevities

Richard M. Moss, Chairman of the Board of Clinton Industries, Inc., on June 30 announced that his corporation has concluded a 3% 7-year loan for $6,500,000 with a group of mid-western banks, consisting of the First National Bank of Chicago, the Harris Trust Co. of Chicago and the First National Bank of St. Louis. This money will be used to complete the expansion program at Clinton's plant at Clinton, Iowa, and to provide additional working capital.

* * *

The offering of 12,000 shares of $1.50 cumulative convertible preferred stock (par $15) of The Reardon Co., producer of water paints, at $25 per share on July 2 by Newhard, Cook & Co., I. M. Simon & Co., Stix & Co. and McCourtney - Breckenridge & Co. was oversubscribed.

* * *

May Department Stores Co., St. Louis, for the year ended Jan. 31, 1948 reported a consolidated net profit of $17,231,481 on sales of $358,013,576, as compared with $18,653,570 on sales of $330,331,868 for the preceding fiscal year. Net profit was equal to $5.94 per common share for the 1948 fiscal year and $7.05 per common share for the previous year (based on the average number of shares outstanding. There is now under construction a new branch store in the St. Louis area, located in Clayton, St. Louis County, which it is anticipated will be open for business the latter part of the current year. The company has approximately 13,500 holders of its common shares and approximately 3,500 holders of its preferred stocks.

* * *

A letter of notification was filed on June 25 with the SEC covering 3,500 shares of common stock (par $5) of Midwest Packaging Materials Co., to be offered at market by Edward D. Jones & Co., the proceeds to go to selling stockholders.

* * *

Among the participants in the public offering on July 1 of $30,000,000 Louisville & Nashville RR. first and refunding mortgage 3⅜% bonds, series H, due April 1, 2003, at 100% and accrued interest, was Stern Bros. & Co. of Kansas City.

* * *

Included in the nation-wide group of underwriters which on June 30 publicly offered 1,000,000 shares of Pacific Gas & Electric Co. 5% redeemable first preferred stock (par $25) at $26.50 per share, were: Dempsey-Tegeler & Co., Newhard, Cook & Co., Smith, Moore & Co. and Stix & Co.

* * *

Net profit of the International Shoe Co., St. Louis, for the six-month period ended May 31, 1948 was $6,949,461, it was disclosed in the mid-year report mailed this week to the company's 11,000 stockholders. This was equivalent to $2.04 per share, and compares with a net of $8,234,197, or $2.42 per share, for the corresponding period in the previous fiscal year. For the full fiscal year ended Nov. 30, 1947, earnings were equivalent to $4.11 per share.

Total value of products, including leather and other materials produced for the company's own use in manufacturing shoes, was $164,465,678 for the six months ended May 31, 1948, as compared with $159,061,706 for the corresponding previous period.

Frank C. Rand, Chairman of the Board, and Byron A. Gray, President, told stockholders: "Our factories have run steadily and the number of orders for the fall season placed by our customers in recent weeks reaffirms the soundness of the expanding program in which we are engaged."

* * *

Commerce Loan Co., St. Joseph, on June 28 filed a letter of notification with the SEC covering 1,000 shares of class A preferred stock, which may be sold at $100 per share. The proceeds are to be added to working capital.

* * *

The Federal District Court at St. Louis has authorized the trustee for the Missouri Pacific RR. to apply to the Interstate Commerce Commission for authority to issue $4,700,000 equipment trust certificates and to advertise for competitive bids. If approved, they will be known as series KK, and will be dated Aug. 1, 1948. The Court set a hearing for July 29 on the question of the issuance of these certificates. The proceeds are to be used to finance a part of the cost of $6,279,730 for Diesel-electric locomotives.

* * *

Among those participating in the public offering on June 16 of 300,000 shares of Kerr-McGee Oil Industries, Inc. common stock (par $1) at $16.75 per share were: Dempsey-Tegeler & Co., A. G. Edwards & Co., Reinholdt & Gardner and Scherck, Richter Co.

* * *

Rice-Stix Dry Goods Co., St. Louis, for the three months ended May 31, 1948 estimated net profit at $478,726 on net sales of $13,467,626. This compared with net profit of $445,673 on net sales of $13,298,167 for the corresponding period last year. For the six months ended May 31, 1948, net profit was estimated at $1,337,200 on net sales of $27,536,118, against net profit of $1,337,709 on net sales of $28,126,417 for the half year ended May 31, 1947.

* * *

On June 23, Scherck, Richter Co. also participated in the public offering of 100,000 shares of Beneficial Industrial Loan Corp. cumulative preferred stock, $4 dividend series of 1948 (without par value) at $100 per share. This stock is convertible into common stock prior to July 1, 1958.

* * *

Edson Brothers Stores, Inc., St. Louis, reported that for the month of June, 1948, sales amounted to $6,598,680, as against $7,254,896 for the same month in 1947. For the six months period ended June 30, 1948, sales totaled $36,901,647, compared with $33,549,443 for the first half of last year.

* * *

Stifel, Nicolaus & Co., Inc., St. Louis, on June 16 participated in the public offering of 150,000 shares of Montana-Dakota Utilities Co. common stock (par $5) at $12.50 per share.

* * *

Consolidated Retail Stores, Inc., St. Louis, for the month of June, 1948 reported sales of $2,473,303, compared with $2,059,071 for the same month last year. For the first half of the current year sales totaled $16,207,250, as against $14,813,802 for the corresponding period in 1947.

* * *

Included in the group of investment bankers which on July 1 publicly offered 55,606 shares of General Telephone Corp. common stock (par $20) at $25.12½ per share were Edward D. Jones & Co., McCourtney-Breckenridge & Co. and Stix & Co. These shares represented the unsubscribed portion of a new issue of 208,260 shares which were initially offered to holders of the utility company's common and 4.40% preferred stocks.

Dean Witter & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Luther S. Bell has been added to the staff of Dean Witter & Co., 632 South Spring Street.

With Raggio, Reed Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Donald H. Buck is with Raggio, Reed & Co., Russ Building, members of the San Francisco Stock Exchange.

William Dwyer Dead

William J. Dwyer, Vice-President of Bailey, Dwyer & Co., Jersey City, N. J., died of a heart attack outside the office of Governor Alfred E. Driscoll in Trenton, N. J.

British Reaction to ECA Pact

By PAUL EINZIG

Dr. Einzig notes general British satisfaction with bilateral agreement between U. S. and Britain in connection with European economic cooperation, because of apparent absence of provisions regarding Empire Preference and devaluation of sterling. Points out possibilities of difference in interpretation of provisions.

LONDON, ENGLAND.—The first reaction caused by the publication of the terms of the bilateral agreement with the United States Government on Marshall aid was one of relief. Most people readily admitted that the terms are not nearly as harsh as they were expected to be on the ground of earlier reports about the original American draft. There was no word about giving up Empire Preference or Sterling Area, or even about relinquishing some of the safeguards included in the Havana Pact. Nor was there any direct reference to any right of the United States to compel Britain to devalue the pound.

Dr. Paul Einzig

On closer examination, however, the terms of the agreement were found to be unsatisfactory in many ways. The principal complaint is that many of the provisions are vague or ambiguous, so that an almost unlimited scope has been left to interpretation. And there can be little doubt about it that there is a wide discrepancy between the British and American official interpretations of the same text. This was the case with the American Loan Agreement, which was passed by Parliament on the basis of its British interpretation; and when a little later it was submitted to Congress its American interpretation was found to be in many ways totally different. In practice the American interpretation prevailed, especially in the matter of convertibility and non-discrimination. This experience is well remembered, and critics of the agreement now fear that history might repeat itself. Once more the agreement will be passed on the basis of its one-sided British interpretation, while the United States Government is keeping discreet silence on its own interpretation—apart from a rather candid statement by Mr. Hoffman—in order not to embarrass the British Government at the present stage. In due course the official American interpretation will appear, and will be applied, and then Parliament will realize the true nature of the agreement which it had passed.

Attempts to induce the British Government to postpone the ratification of the agreement until the United States Government has made an interpretative declaration on the main doubtful points were of no avail. The last thing Sir Stafford Cripps wanted was clarity. The main object and the main achievement of the British negotiators was to obscure the American demands embodied in the agreement, in order to make it more palatable to British public opinion. Having realized that the United States Government would not yield, the British Government concentrated its efforts on obtaining an alteration of the draft in a way as to make the concessions less obvious. It was beyond doubt a highly successful effort. For instance the word "devaluation" is not even mentioned. Nevertheless, as Mr. Hoffman made it plain at a press conference, the United States has reserved the right to initiate conversations on devaluation, and would refuse further dollar aid unless its views on the subject are accepted. This being the case, the undertaking given by the Government of the United Kingdom to use its best endeavors to establish or maintain a valid rate of exchange carries grave possibilities. It is true, the British interpretation of "valid rate of exchange" is that the present rate of sterling is valid. But judging by the pressure that has been brought to bear on London from Washington over a period of months to obtain a devaluation of sterling, it seems probable that the American interpretation of the term is quite different.

Should the United States Government insist on a devaluation, the British Government would be confronted with the choice between taking a decision in a sense it considered to be against the vital interests of Britain and facing the termination of Marshall aid, while continuing to bear some of the burdens arising from it. In this respect, the history of the Loan Agreement is liable to repeat itself in an even less satisfactory form. In 1947 Britain was compelled to accept the American interpretation of convertibility, but it soon resulted in such a heavy drain on its dollar resources that the suspension of its application came to be considered as justified. The provisions regarding American stockpiling purchases, on the other hand, are not likely to result in such obvious ill-effects, and they will therefore have to be carried out. So a difference between the British and American interpretations is liable to result in more lasting consequences this time.

There is much concern about the provisions on stockpiling purchases. It is argued that if Britain has to increase the productive capacity of the Colonies to satisfy stockpiling requirements after the termination of stockpiling purchases she is liable to be left with a producing capacity in excess of normal requirements. It is of course realized that the losses that will arise from this are the inevitable price Britain has to pay for Marshall aid. What is causing more concern is the vagueness of the provisions concerning Britain's obligations to adhere to the purposes and policies of the Economic Co-operation Act. Everything depends on the interpretation of this provision which covers a very wide ground. Under it the United States may claim very far-reaching modifications of British economic policies.

The basic fact of the situation is that the United States Government is in a position to terminate Marshall aid at very short notice, and that Britain is in bad need of Marshall aid. This being the case, it is pointed out, it really matters little what the agreement contains, since the British Government is hardly in a position to resist American demands, whether or not they are based on the present agreement. Those demands would have to go fairly far before the British Government would decide that even the termination of Marshall aid would be the smaller evil.

The terms of the agreement have resulted in an acute feeling of humiliation in the section of British opinion that is capable of appraising its implications. Many people feel it is degrading to accept assistance on such terms. But few of them are prepared to face the consequences of their rejection.

LETTER TO THE EDITOR:

Writer Offers Straight From the Shoulder Advice to Gov. Dewey

An oldtime Republican lays down some pertinent suggestions for Gov. Thomas E. Dewey to follow regarding Cabinet Appointments, Ambassadorial Selections to European Courts and Peace Conference Plenipotentiaries and his Administration Policies if he is elected.

Editor, The Commercial and Financial Chronicle:

In his speech of thanks to the Republican Convention for his nomination as candidate for President on the GOP ticket, Governor Thomas E. Dewey talked persuasively about "team work" with the leaders of his party and of his known desire to enlist the support of the Senate and House membership, and of his intention to surround himself with the best men from all walks of life, to give this country an era of good, efficient and enlightened government.

Alexander Wilson

We, the people, have since read in the newspapers with interest and approval of Governor Dewey's plans to enlarge the duties and responsibilities of the Vice-Presidential office to man-size proportions, by having Governor Warren, his running mate, present in all Cabinet deliberations and contributing in other ways to be a real acting, working and thinking influence in his Administration.

To all of which the electorate gratefully says AMEN. But for this and other reasons, we the voters, fervently hope that Governor Dewey will innovate new precedents in his forthcoming campaign.

With this thought in mind, the writer would suggest to Governor Dewey that he would make a broader appeal to the electorate if he announces a tentative list of men who will serve in his Cabinet and also as Ambassadors in the more important European countries and as plenipotentiaries at the final peace conferences.

For the important office of Secretary of State, no better men of independent mind could be induced to serve with distinction than either Winston Churchill or ex-President Herbert Hoover or Bernard M. Baruch.

Right Hon. Winston Churchill

For a man to cover our foreign affairs it may not seem exactly appropos to list Mr. Churchill, yet if he could be induced to serve until the peace terms are agreed upon by the Big Four Powers, we could not engage any human being who would be a more capable advocate of our interests and viewpoint than the first citizen of the world—the Right Hon. Winston Churchill. In "The Chronicle" article published Feb. 3, 1947, the writer made the above suggestion to President Truman in the following words:

"There is no abler statesman in the world today or anyone more conversant with the postwar situation than Winston Churchill. There is no one who could bring a bigger war-background of experience and understanding of the world's peace problems to the Peace Table than the former Prime Minister of Britain. It goes without saying that our country would find Mr. Churchill an ardent and persuasive advocate of the American viewpoint. Mr. Churchill may be said to be 'half' American anyway, since he is the son of an American mother, the former Miss Jennie Jerome of Brooklyn. What a pity it is that a world statesman of Mr. Churchill's calibre and surpassing talents has been denied his rightful place in the Peace Conference by the caprices of British politics."

Herbert C. Hoover—Ex-President and World Humanitarian

If Governor Dewey fails in his endeavor to induce World Statesman, Winston Churchill, to be our Secretary of State, it might be possible to draft our only living ex-President, Herbert Clark Hoover. Mr. Hoover would command world-wide respect. And what American from actual experience is more familiar with the type of statecraft and diplomacy that is practiced by the ablest ministers of the European Chancelleries? Mr. Hoover knows, if any man does, the needs and yearnings of a war sick world and at his mellow age is far above the motivating objectives of personal vanity, national necessity and selfish aggrandizement and would render distinguished service for his country and mankind. Indeed this great Quaker and humanitarian's vast experience with men and nations of the world needs no commendation from either friend or foe.

Bernard W. Baruch—Our Elder Statesman

Again, of Mr. Bernard W. Baruch, the same can be said for the White House Sage and Counsellor of our Presidents, who can be trusted to act disinterestedly in formulating the country's foreign policy in the name and for the benefit of a world humanity and conscience based on the Golden Rule.

John Foster Dulles—Jurist and Publicist

Mr. John Foster Dulles as a result of his services and attributes as Governor Dewey's representative at recent European conferences have placed him, according to report, as a likely choice for the crucially important post of Secretary of State. Without question, Mr. Dulles' record as a jurist and publicist and his lifetime study of international law and peace, makes him an invaluable man to place in charge of international affairs—**but for one reason.** In June 1946 Mr. Dulles wrote two critical articles in "Life" magazine describing the Soviet ideology which will not soon be forgotten or forgiven by our dissident Russian allies who will have to be reckoned with in all peace settlements. If Governor Dewey was (for conversation purposes) the head of any one of the big American corporations doing an international business, he would certainly send a Dwight W. Morrow type of representative on a business mission against whom there was no antipathy for previous expressions of opinion.

In other words the corporation executive would certainly "send in" his best man—either a Baruch, Hoover or Churchill—men who are world-minded and supposedly not entirely antagonistic to the Communist system as such. None of these men, of course, is likely to condone or remain silent in the face of Soviet attempts to force its ideology on unwilling nations by under cover and under handed methods.

The writer would suggest, however, that Mr. Dulles should be

(Continued on page 36)

Federal Appropriations and 80th Congress Economy Program

By HON. STYLES BRIDGES
U. S. Senator from New Hampshire
Chairman, Senate Committee on Appropriations

Sen. Bridges in reviewing appropriations record of the Second Session of the 80th Congress, criticizes budgetary practices of the Administration as "irresponsible," blaming bureaucratic Federal agencies for not heeding budget limitations. Advocates reforms in budgetary and appropriations procedures, and end of "loose-leaf binder methods" which add new pages to spending. Calls for fundamental change in public's attitude toward Federal Treasury so that taxpayers realize they must foot bills for every spending demand.

As the second session of the 80th Congress comes to a close I want to make a brief accounting as Chairman of the Senate Appropriations Committee of its accomplishments. Despite the many pressures to spend, the Congress, by and large, has made a good fiscal record. And this at a time when the public and the national interest dictated heavy appropriations for foreign aid and national defense.

Sen. Styles Bridges

The pressures that the Congress resisted were brought by many of the bureaucratic agencies of the government, some subtly and others blatantly. Other groups and special interests outside the government, organized powerfully, pulled every trick in the bag to get appropriations for pet projects. And fortunately for the people as well as to the great credit of Congress, may of them failed.

Almost every witness who came looking for something avowed loudly his interest in economy in the Federal Government. They were all for economy—but for the next fellow's project, not theirs. In fact, their pleas ran so true to pattern that they became known to the Committee and staff as "economy—but men."

A fundamental change must take place in the public's attitude toward the Federal Treasury before spending can be curtailed as drastically as it should be. People must realize that they as taxpayers must foot the bill for every demand for service or construction that they as citizens make upon their Federal Government.

The economy issue in reality lies with the people. We of the economy-minded group can only see to it that they get their dollar's worth, that they are not bilked for more than a reasonable cost for what they want, and insofar as possible, that the payrolls are not deliberately loaded. Beyond that we cannot go. If the majority of the people want something, it is our job to see that they get it. The democratic process demands it. But we long for the day when the American people, giving more than lip service to economy, shall raise their voices at every appropriation hearing in protest against unnecessary spending.

Summary of Appropriations Action

During this session the Congress passed 15 regular appropriations measures dealing with the customary appropriations made every year, and also passed six additional appropriations measures dealing with supplemental, deficiency, emergency or similar types of appropriating legislation.

For the 15 regular appropriations measures involving Budget estimates of $25,477,477,126, the Congress appropriated $23,684,799,395, accomplishing a saving of $1,792,677,311.

In the six supplemental and deficiency appropriations laws, involving Budget estimates of $9,947,768,097, the Congress appropriated $8,998,964,536, accomplishing a saving of $948 803,561.

Together, all appropriations during the present session totaled $32,683,763,931, a saving of $2,741,481,292 under the Budget estimates of $35,425,245,223.

I attach herewith a complete tabluation of each bill passed by the Appropriations Committees during the present session. This includes the Budget estimates, House and Senate action, and final appropriations.

Contract Authorizations—The Other Side of the Fiscal Picture

Contract authorizations are defined as "Statutory authorizations under which contracts may be entered into or other obligations incurred in advance of appropriations for the payment of indebtedness arising under such contracts or other obligations." In short, this fiscal device permits advance planning for its needs on the part of the Federal Government, and it establishes a limit beyond which the executive departments and agencies may not go in the letting of contracts for which future appropriations must be made.

Of the $946,417,199 of increased contract authorizations, $822,000,000 is for vital aircraft procurement to enable this nation to meet any possible threat from the air

(Continued on page 34)

Connecticut Brevities

Segal Lock & Hardware Co., Inc., one of the five largest manufacturers of builders' hardware and the largest manufacturer of Rey duplicating machines and "jimmy proof" locks, has sold $2,000,000 of 15-year 6% convertible sinking fund debenture bonds, due May 1, 1963. The bonds are being sold to the public at 100 by a group headed by Floyd D. Cerf Co., Inc. Proceeds will be used for general corporate purposes including the contemplated expansion of the Sumter, S. C., branch plant of Segalock Fasteners, Inc., a subsidiary which manufactures patented zipper fasteners.

* * *

The U. S. Finishing Co. has stated that it plans to pay quarterly dividends of $0.62½ beginning with the Aug. 15 payment. The previous dividend was $0.50 which was paid May 15, 1948.

* * *

Subsidiaries of Derby Gas & Electric Corp. have been authorized by the Connecticut Public Utilities Commission to file amended rate schedules designed to yield additional annual revenues of $14,500 for Wallingford Gas Light Co. and $111,000 for Derby Gas & Electric Co.

* * *

The Navy has announced that it plans to place orders with United Aircraft Corp. and its subsidiaries for 33 F6U jet fighters, 19 F7U jet fighters, 19 HJS helicopters, and 18 HO 3S helicopters. In addition, Pratt & Whitney engines will be used in a number of the planes the Air Force and Navy plan to order from other air frame manufacturers.

* * *

Scovill Manufacturing Co. has put into effect an 8¼% wage increase for salaried employees paid weekly and in the hourly rates of manufacturing workers not affiliated with CIO. Negotiations are continuing with the Mine, Mill & Smelter Workers, CIO.

* * *

The Chance Vought Division of United Aircraft Corp. began on June 28 moving machinery and personnel from its Stratford, Conn., plant to new facilities near Dallas, Texas, which have been leased from the government.

* * *

United Illuminating Co. has borrowed $4,500,000 from National City Bank of New York. Under a credit arrangement, the company was permitted to borrow up to $5,000,000 on or before July 1, 1948. The loan is payable on or before Jan. 1, 1953, at an interest rate of 1¾% a year. Proceeds will be invested in short-term government securities until needed to pay bills for construction work.

* * *

Bigelow-Sanford Carpet Co. plans to issue in the late summer or early fall $6,000,000 of cumulative second preferred stock, which will be convertible into common stock for approximately 10 years. A stockholders' meeting has been called for Aug. 16 to approve the issue. The new funds will be used for continued plant modernization and to provide additional working capital. Current production is at a yearly rate of about $105 million which is three times the prewar average for the six-year period from 1936 to 1941.

* * *

Fuller Brush Co. announces that it has purchased the cosmetic production of Daggett and Ramsdell, a New York firm producing the trade-named Debutante lines. Until 1947, when it was sold to private interests, Daggett and Ramsdell was a subsidiary of Standard Oil Co. (New Jersey). The Debutante products, which include a full range of creams, powders, lotions, and make-up materials, will continue to be turned out in the company's present plant in New York. The new line of products will be distributed by a women's auxiliary to the Fuller Brush Man. This new sales unit will be known as Fullerettes.

* * *

Bridgeport Brass Co. has acquired title to the Indianapolis plant from the War Assets Administration. During the war, the company used the plant to make cartridge cases. It has since been retooled as the company's western outlet for a complete line of mill products.

* * *

Bendix Helicopter, Inc., has changed its name to Helicopters, Inc., as a result of settlement of a suit by Bendix Aviation Corp. objecting to the use of the word Bendix in the name. It was also announced that the company has surrendered its 18-year lease on the plant facilities at Stratford and will no longer be obligated to pay monthly rental of $6,200 and other expenses. A refund of $131,000 was also received, which will be used in operations.

James I. Brennan Is Now With Marx & Co.

Marx & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, announce that James I. Brennan is now associated with the firm in its trading department. Mr. Brennan was formerly with Hoit, Rose & Troster and J. F. Reilly & Co.

James I. Brennan

Michigan Brevities

A registration statement covering 135,000 shares of 6% cumulative convertible preferred stock (par $12.50) and 242,000 shares of common stock (no par value) of Roosevelt Oil & Refining Corp., Mount Pleasant, filed with the SEC on June 22, has become effective. All of the preferred shares and 44,000 common shares are being publicly offered by F. Eberstadt & Co. Of the remaining 198,000 shares of common stock, 135,000 shares will be reserved for conversion of the preferred, and 63,000 shares are to be sold principally to officers and employees of the company. The proceeds, together with the proceeds from a bank loan, will be used to acquire Roosevelt Oil Co., Simrall Corp., and C. L. Maguire, Inc. for a total consideration of $3,265,110.

* * *

Detroit Edison Co. on June 17 reported that it is seeking to improve its financial condition to the end it may advantageously raise the money necessary to carry on its $100,000,000 expansion program. "That requires early additional financing," the company states, "to the extent of about $65,000,000."

* * *

The Detroit Stock Exchange reports that trading volume in June totaled 299,196 shares, having a market value of $4,394,814. This compares with 432,735 shares, with a dollar value of $5,966,402, in May, and with 369,567 shares, with a dollar value of $4,710,410, in April.

The 10 most active stocks during June were: Detroit Edison Co., Gerity-Michigan Corp., Electromaster, Inc., Detroit & Cleveland Navigation Co., McClanahan Oil Co., Davidson Bros., Inc., Commonwealth & Southern Corp., Sinclair Oil Corp., Socony-Vacuum Oil Co., Inc., and Packard Motor Car Co.

* * *

The stockholders of Davidson Bros., Inc., Detroit, on July 6 authorized an increase in the authorized capital stock from 1,000,000 shares to 3,000,000 shares. Subsequently, the directors declared a 50% stock dividend on the outstanding 853,850 shares, payable July 30 to holders of record July 19. The usual quarterly cash dividend of 10 cents per share is payable July 20 to holders of record July 7.

The company in June placed privately through Eastman, Dillon & Co. an issue of $3,000,000 of 4% sinking fund debentures due May 1, 1963 with a group of insurance companies.

* * *

Campbell, McCarty & Co., Inc., First of Michigan Corp. and Watling, Lerchen & Co. on July 1 participated in the public offering of 55,606 shares of General Telephone Corp. common stock (par $20) at $25.12½ per share. Warrants for a total of 152,654 additional shares of common stock had previously been exercised by the holders of the common and 4.40% preferred stocks during the subscription period which closed on June 29. The original offering to General Telephone stockholders had amounted to 208,260 shares.

* * *

Woodall Industries, Inc., Detroit, for the nine months ended May 31, 1948 reported a net profit, after Federal income taxes, of $849,726, equal, after providing for preferred dividends, to $1.90 per share on 400,000 shares of common stock outstanding. For the corresponding period in the previous fiscal year, profit after taxes totaled $1,195,530, equal to $2.75 per common share. At May 31, 1948, current assets were $4,591,488, and current liabilities $1,731,021.

* * *

First of Michigan Corp. and Watling, Lerchen & Co. were included in the group of nationwide banking houses which on June 30 publicly offered 1,000,000 shares of Pacific Gas & Electric Co. 5% redeemable first preferred stock (par $25) at $26.50 per share.

* * *

A letter of notification covering 7,000 shares of common stock (par $1) of MacAleer Manufacturing Co., Rochester, was filed with the SEC on June 15. It is proposed to offer these shares through C. G. McDonald & Co., Detroit, at $5.50 per share.

* * *

A registration statement was filed with the SEC on June 29 covering 167,955 shares of common stock (par $10) of S. S. Kresge Co., of which 27,955 will be for account of the company and 140,000 for account of selling stockholders. It is expected that Lehman Brothers, New York, and Watling, Lerchen & Co., Detroit, will underwrite the offering. The proceeds to be received by the Kresge firm will be used for general corporate purposes. The shares may be publicly offered on or around July 19.

* * *

Rights to stockholders of record May 22 to subscribe for 141,600 shares of common stock (par $1) of Masco Screw Products Co., Detroit, at $1.75 per share, expired on July 10. Unsubscribed shares are to be offered publicly by the company at the current market price prevailing on the Detroit Stock Exchange. The proceeds will be used to repay a loan and for working capital.

* * *

A registration statement was filed with the SEC on June 29 covering 56,000 shares of common stock (par $1) of Kent-Moore Organizations, Inc., Detroit, Mich., which may soon be publicly offered at $7.50 per share by George A. McDowell & Co., Detroit, the proceeds to go to selling stockholders.

* * *

Reynolds Spring Co., Jackson, Mich., for the six months ended March 31, 1948 reports net profit of $267,686, equal to 90 cents per common share, as against $200,522, or 68 cents per share, for the corresponding period a year ago. Net sales totaled $5,438,794, compared with $6,749,896 for the six months ended March 31, 1947. Current assets on March 31, 1948 were $3,574,616, and current liabilities $1,741,529.

* * *

First of Michigan Corp. also participated on June 30 in the public offering of $90,000,000 New York Telephone Co. refunding mortgage 3% bonds, series F, due 1981, at 101⅛ and accrued interest, and on July 1 in the public offering of $30,000,000 Louisville & Nashville RR. first and refunding mortgage 3¾% bonds, series H, due April 1, 2003, at 100% and accrued interest.

* * *

In addition First of Michigan Corp. on June 16 participated in the offering to the public of 300,000 shares of common stock (par $1) of Kerr-McGee Oil Industries, Inc. at $16.75 per share.

* * *

On June 17, a letter of notification was filed with the SEC covering 10,000 shares of common stock (par $1) of Plywood, Inc., Detroit, which, it is expected, will be offered publicly at $3.12½ per share through Baker, Simonds & Co., Detroit, the proceeds to go to a selling stockholder.

The directors of Gerity-Michigan Corp. on June 28 declared a dividend of 10 cents per share for the quarter ended June 30, 1948, payable July 30 to stockholders of record July 15, 1948. This action was taken in recognition of the demand for conserving working capital necessary to expand volume in the coming fiscal year, the corporation announced. Previously, 20 cents per share was paid each quarter.

For the nine months ended March 31, 1948 Gerity-Michigan reported sales of $10,431,325, against $9,996,496 for the same period ended March 31, 1947. Net profit after taxes totaled $653,637, or 85 cents per share, as compared with a net of $790,949, or $1.03 for the nine months ended March 31, 1947. Net profit for the third quarter of the company's fiscal year was equal to 19 cents per share, against 45 cents for the three months ended March 31, 1948.

Geyer Co. Open Branch In Cleve. Under Rowley

CLEVELAND, OHIO—Geyer & Co., Incorporated, New York City investment firm announce the opening of an office in the Schofield Building under the management of Russell K. Rowley. Mr. Rowley was formerly in the trading department of T. H. Jones & Co. and Skall, Joseph, Miller & Co. Prior thereto he was an officer of F. L. Dupree & Co., Inc., of Harlan, Ky.

Russell K. Rowley

The Fall Outlook

By ROGER W. BABSON

Mr. Babson expresses optimism, tempered by selectivity, for second half of 1948. Sees unprecedented automobile output, and gradual expansion in productive capacity of steel industry, but cautions some industries, such as cotton textiles, face possibility of sharp shake out. Predicts railroad operations will be high until October.

Business prospects for the second half of 1948 are now forecast as follows: Optimism, tempered by selectivity. The second half of 1948, I predict will be better than most businessmen expected and be almost as good as the fabulous first half.

Roger Babson

I wish to stress strongly, however, that selectivity will become of ever-increasing importance. Some industries, such as the cotton textiles, face the possibility of a sharp shake-out. Others, such as building, can expect record completions, but a slump in new contracts. Automobiles, steel, petroleum, electric power, food manufacturing, and mining may beat all previous records. Near-record crop turn-outs should stimulate the railroads and business in general; but tire makers, paper manufacturers, and cement producers may drag.

Automobile Outlook

The most magnificent performance for the last half will be by the passenger car builders. With labor, management and material suppliers now pulling together, I predict that the auto passenger car output will be better than most expect due to: (1) A decline in truck demand. (2) A tapering off of the steel needs of other than auto makers. (3) A gradual expansion in productive capacity of the steel industry itself.

Petroleum, electric power, coal operators and food manufacturers will continue to provide a powerful support to the general level of business. Furthermore, those industries where a decline is expected are by no means candidates for a sharp slump—with the possible exception of cotton textiles.

What About Building?

Building construction to be completed may be sky-high compared with the first six months of 1948, but I am predicting that new building contracts will suffer more than their usual seasonal decline. Likewise, our railroads will be held at a high rate of operations until after the October crop peak, at which time I expect a more than seasonal recession in traffic.

There is a possibility that the textile industry will witness a sharp recession. The cotton surplus promises to cause uncertainty in the price of this important fiber. Such a situation may induce a suspension of buying during the transition from the old crop prices to the new fiber quotations. Hold off before stocking up with shirts, sheets or most cotton goods.

Miscellaneous Forecasts

Apparel and other merchandise buyers have been flocking here into New York City in unprecedented numbers . . . anticipating good fall retail business. Actual buying, however, is not yet heavy.

Summer resort business will be good generally. But aside from that, free-and-easy spending is less. More liquor price-wars, at retail, are said to be ahead, although I am not an authority on this business!

Motion-picture industry sees cloudy weather ahead, partly because of television and also because of court orders to "divorce" producers from theatre ownership.

Men's clothing volume has been "off," although leading brand-name manufacturers have their output for fall well committed. Men's shoe industry is bad and you will soon see some interesting markdown sales.

Meat prices are unlikely to drop much. A big corn crop, however, should result in some shading-off of prices on meats, eggs and poultry. Better buy fish products and other canned goods now. This especially applies to canned peas, citrus fruits and other vegetables and fruits. Consult your grocer.

The oil industry, mindful of fuel oil shortages last winter, is moving toward voluntary allocations. Sufficient supplies next winter are probable, assuming Mideast-Palestine is not cut off and defense needs are normal. But better order your fuel—coal or oil—now.

* * *

Complaints by small businesses of difficulty in obtaining bank loans should lead Congress to provide some kind of relief, allowing tax exemption of corporate profits up to $25,000 and larger depreciation reserves.

SEC Reports Decline Of $400 Million in Individuals' Savings

Reveals volume and composition of individuals' savings during first quarter of 1948. Mortgage debts increased $800 million and new home construction amounted to $1½ billion.

Individuals reduced their liquid assets[1] by $400 million in the first quarter of 1948, according to the quarterly analysis of saving by individuals in the United States made public July 7 by the Securities and Exchange Commission.[2] This was the first decline in liquid assets since the inception of the quarterly series in 1942 and may be compared with an increase of $2.0 billion during the last quarter of 1947. Taking into consideration, however, saving in non-liquid forms such as purchases of homes and private business investment, individuals during the first quarter of 1948 made net additions to their total assets, but considerably less than in the fourth quarter of 1947. The decline in the rate of saving is attributable in large part to the drop in disposable income and to seasonal influences.

During the first quarter of 1948 individuals reduced their holdings of cash and deposits by $4.0 billion, the largest decrease since before the war. During the same period individuals added $2.5 billion to their holdings of securities,

1 In this analysis individuals' saving includes unincorporated business saving of types specified in the SEC data. Corporate and government saving are not included. The change in individuals' equity in government insurance is, however, considered a part of individuals' saving.

2 This does not reflect the increase in inventories of unincorporated business (net of the change in notes and accounts payable). Although the amount of this increase is not known, it is believed to have been in the neighborhood of $600 million in the first quarter of 1948.

(Continued on page 31)

The Fight for Men's Minds

By MORRIS SAYRE*

President, Corn Products Refining Co., New York City
President, National Association of Manufacturers

Asserting it is folly to rebuild our military defenses and, at the same time, weaken or reject ideals of our founding fathers, NAM executive contends it is collectivists and not American businessmen who are materialists. Says American businessmen have ideals and principles and are striving to put them in action. Denies there is conflict between human rights and property rights and holds collectivism is complete negation of democracy.

Today the whole world is still torn by a war psychology.

But the fundamental and underlying conflict—now in progress—is one for the minds of men. We who believe in individual liberty—in human freedom—must win back the minds of men—first we must win them here at home and, then, by our example of liberty, freedom and democracy in action win the minds of men abroad. These human freedoms are the flower of our American ideals and principles. They are the real target of the enemies of our democracy.

It is therefore folly for us to rebuild our military defenses and at the same time to ignore, weaken or reject the ideals and principles of our founding fathers.

That we have such ideals and principles is a comforting thought. But ideals and principles, without action are little more than pleasant abstractions. It's like having good intentions but doing nothing about them.

Democracy doesn't work that way. Democracy has an inner core of integrity that must be satisfied if the system is to live and prosper. It has fundamental principles and basic ideals that must be practiced faithfully in order for it to survive. Democracy demands much of its children, but it rewards them with unequaled spiritual and material riches. Only democracy offers the real goal of our pursuit of happiness—joy in individual accomplishment.

Nothing does a man more good than frequent self-analysis, than frequent soul-searching. It is equally helpful, and often a good deal more necessary, for nations critically to study themselves; to survey the road they are traveling; to look ahead to the end of that road, and to make certain it is the same road they started out on originally.

We have reached such a stage here in America. Never before in our generation was the time so opportune, and the need so great for us to pause, to reorient ourselves, and make certain that while we arm ourselves against collectivism abroad we are not at the same time ignoring and even encouraging collectivism at home.

Pertinent Questions

The questions we should ask ourselves are: Are we being true to our tradition? Are we being faithful to the American ideals of Freedom, Justice, and Opportunity, faithful to the ideals that form the keystone in the arch that supports our way of life?

There are two important tests we can apply to these questions.

The first test is that of the validity of the ideals themselves. That is, are they just words or abstractions that we have inherited from our ancestors? Or, are they living, breathing, vibrant elements of our national life?

Perhaps the most conclusive answer one can make to that question is the reminder that no one in America ever advocates openly that these ideals be either abandoned or modified. Even those fake Americans who conduct an undercover warfare against our democracy don't dare voice the contempt they have for these ideals. But don't ever forget there are those among us who pay loud lip service to these ideals in order to gain power to destroy the same ideals—the very ideals that make possible their ascendancy.

The second way to test these ideals is to determine whether or not they work. Are they really Ideals in Action? That's the $64 question!

I'd like to examine the application of these ideals in the field I know best; that is, their application to and in American business. Now there are professional cynics who habitually sneer at the idea that the American businessman has principles and ideals. These business-baiters take the word "materialistic" and pin it on the businessman as a badge of shame. That, of course, is the old collectivist strategy of accusing their enemies of all the sins of which they themselves are guilty.

The collectivists are the real materialists. They are the ones who scoff at spiritual values; who try to destroy Almighty God by denying Him; who refuse to recognize the essentially Christian principle of the sanctity and dignity of human personality. Karl Marx knew that religion in general, and Christian ideals in particular, had to be stamped out in order to destroy a civilization based on human rights. Religion, Christian ideals, and human freedom have no place in the Marxian materialism.

The American businessman is a materialist, but not the kind of materialist the collectivists picture.

The American businessman is a materialist in that he wholeheartedly accepts American ideals and does his level best to materialize them for all the American people.

It is the peculiarly happy nature of these ideals that they not only permit, but they actually encourage, their application by businessmen. As a consequence, the ideals themselves become greater and stronger and a material part of our American life. This is what I mean by Ideals in Action. We fix our sights on an ultimate objective of high character. We agree to strive for that goal, *to materialize it*, to make it real, and to do so under the American fair-play rules of individual competitive enterprise. That's the kind of materialism American business believes in and practices: the application and materialization of American ideals to the lives and well-being of all Americans.

The men chiefly responsible for the materialization of American

(Continued on page 38)

*An address by Mr. Sayre before the Chautauqua Institution, Chautauqua, N. Y., July 14, 1948.

With Hopkins, Harbach Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL. — Hopkins, Harbach & Co., 609 South Grand Avenue, members of the Los Angeles Stock Exchange, have added Charles Farha to their staff.

Marache, Sims & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Clifford H. Dowell has become connected with Marache, Sims & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Linton F. Murdock has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Mutual Funds

By HENRY HUNT

"If I Were a Retail Salesman"

The third article in this series was written by Woodford Matlock, President of Broad Street Sales Corporation, which sponsors National Investors, Broad Street Investing and Whitehall Fund. We find Mr. Matlock's suggested approach at an initial interview a most interesting one. As a former successful retailer of mutual fund shares, Mr. Matlock's arguments have been tested in the field.

'48 Profits

"These Things Seemed Important," issued by **Selected Investments Company of Chicago** quotes as follows from a Federal Reserve Board bulletin:

"1948 profits of U. S. business likely to be larger than '47; predicts cash dividends probably will be higher. 200 of U. S. biggest manufacturers had net in '47 averaging 7.8 cents per dollar of sales vs. 6.7 cents in '46 and 7.2 cents in '39. Forecasts further improvement in average profit margins this year."

Building Outlook

The National Securities and Research Corporation is bullish on building stocks and cites the following favorable statistics:

"Estimates by the Department of Commerce indicate new construction volume this year of $15.2 billion or $1.3 billion above the record $13.9 billion indicated for 1947—an increase of over 9%.

"**Residential**—Completion of about 854,600 new residential units in 1947 merely scratches the surface of National requirements. The number of new starts in the current year is expected to approach the 900,000 unit mark and with the exception of 1925 will exceed any year on record.

"Estimated expenditures for 1948 of $6.0 billion compare with $5.2 billion indicated for 1947 . . . an increase of 15%.

"**Non-Residential** — According to governmental estimates nonresidential expenditures this year will be about $3.5 billion or over 10% above the $3.1 billion expended in 1947.

"**Public Works**—Federal, state, and municipal expenditures are expected to increase to $3.8 billion or 26% over the $3.0 billion spent in 1947. A vast backlog of necessary public works has piled up ready to take up any slack in other lines.

"**Public Utility**—Because of the huge backlog of needed construction accumulated through the war years and increased residential construction completed and still underway, it is estimated that the utility industry will spend over $5 billion during he next four years on its construction program."

The Long Term Trend

Hugh W. Long's July "New York Letter" contains the following interesting discussion of factors affecting the long-term growth in common stock values:

"Every so often we hear an investor say, 'I'd be more confident that today's good values in common stocks are really good values were it not for the fact that common stock prices are historically high.'

"In formulating their investment plans, investors should not overlook the likelihood that the long-term trend of common stock values will be upward as long as we have a capitalistic economy.

"Generally, lending corporations pay out only a part of current earnings in dividends. The balance is retained in the business to finance improvements and growth, such as the construction of new plants, the promotion of new products, the opening of new distribution outlets. It is obvious that earnings paid out as dividends have value. Dividends provide shareholders with income which can be spent for living expenses or luxuries, or which can be saved. But earnings retained in the business have value too. They build up the company's assets. If they did not, no wise business management would retain earnings just as no thinking individual would save a part of his or her income if these savings were to have no future value.

"Between 1935 and 1947, United States Steel Corporation reported net income of $866.9 million. Dividend payments during this period totaled $66.5 million. Retained earnings were $200.4 million, equivalent to $23.00 per share of common stock. Eastman Kodak's record may be reviewed as another example. Net income for this company in the years 1935 through 1947 amounted to $315.8 million. A total of $205.3 million in dividends was paid. The retained earnings of $110.5 million were equal to almost $9.00 per common share of stock now outstanding.

"It is estimated that, during 1947, a total of $17.4 billion was earned by all United States corporations. After dividend payments of $6.8 billion, there remained the tremendous sum of $10.6 billion which was 'reinvested in the business.' Obviously the shares of these companies are worth more intrinsically as a result of the earnings retained.

"The accompanying chart of an index of industrial common stock prices since the turn of the century shows the cumulative effect of long-term growth factors. Stock prices have fluctuated widely during this period, reflecting booms and depressions and periods of optimism and concern. But, the long-term trend of stock prices has been decidedly upward.

"For periods of time—and sometimes disturbingly long periods, as one lives through them—this fundamental uptrend can be offset by deflationary factors. Ultimately, the deflationary factors run their course and the fundamental long-term growth factors again assert

If I Were a Retail Salesman

(Third of a Series)

By WOODFORD A. MATLOCK

President, Broad Street Sales Corporation

When I was a retail salesman I found this opening approach effective, particularly with larger buyers. It can be adjusted to fit any fund or lengthened to suit requirements. If the figures given are put on paper in front of the prospect, the value of this approach is increased.

Woodford A. Matlock

Mr. B., I would like to have you consider Stock Fund, an open end investment company, as a possible candidate for your investment portfolio. It is my contention that any investor should own Stock Fund who can't do as well in buying stocks for himself as the managers of this Fund can do for him. I have discovered that only a very small proportion of investors have been able to achieve records equal or superior to that of Stock Fund.

This is the reason I believe that Stock Fund should be better able to buy common stocks for you than you do for yourself.

You, Mr. B., are a highly successful retail merchant. You are highly intelligent and have proven your ability by succeeding in a very competitive business. You are experienced and trained in your business—it is your first concern. You became an investor after you established yourself in your business, so investing is to you a secondary consideration. You are one man.

The Stock Fund has a research and management staff of fifteen men, trained and experienced as investment managers. They are intelligent and have a high degree of mental integrity.—(This point can be lengthened to suit.)—Their business, hence their first consideration, is investing.

Now, Mr. B., how much time do you give your investments each day—an hour?

The Stock Fund managers put in 7 hours a day on investment problems.

You put in 1 investment hour a day.

They put in 105 investment hours a day.

You put in 260 investment hours a year.

They put in 27,300 investment hours a year.

How much do you spend for research each year—$25? But that $25 is spent almost entirely for history. You read and study what happened yesterday and guess what will happen tomorrow.

The cost of operating the research organization behind Stock Fund is $-00,000 a year.—(Then lengthen by talking about how they work and the type of research This is the most effective part of the approach. Romance the management and stress that they have information which is not available to the individual investor.)—

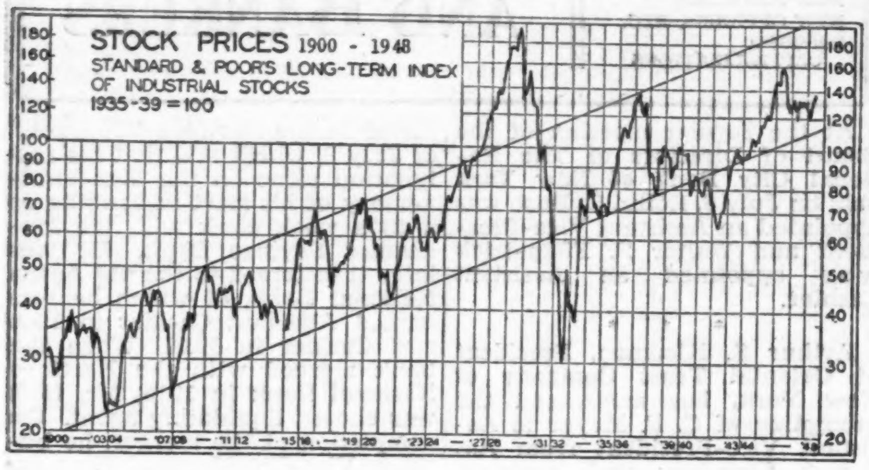
So, Mr. B., this is my belief—I do not think it is likely that one man, no matter how intelligent, who is trained as a retail merchant, who puts in only 260 hours a year on investment problems, to whom investing is a secondary matter and who only has available the information that $25 will buy can beat fifteen highly trained investment managers who put in 27,300 hours a year on investments and who spend $-00,000 a year.

Mr. B., I don't think it is in the cards for one amateur to beat fifteen professionals in the highly specialized and complicated common stock market.

Let me put it another way. Mr. Doe, head of this management group, is a man of great ability. I am confident that he could succeed in any business.—But, Mr. B., could he run your store as successfully as you do and not put in any more time or thought to its operation than you do to your investments?

themselves in terms of market prices. This happens because of the strength and vitality of our economic system.

"It may be observed that the average gain in stock prices during this period of nearly one-half a century has averaged about 5% yearly. Viewed in this perspective, stock prices now are not high.



On the contrary, they are in the lower third of their long-term price range. In terms of current earnings and dividends, and those anticipated for a considerable period ahead, stock prices seem to us abnormally low. This is another of the several reasons which lead us to believe that investors now have a favorable opportunity for the investment of money."

LETTER TO THE EDITOR:

Says Louisville & Nashville RR Is Efficiently Operated

L. H. McHenry, of L. H. McHenry & Co., of Louisville, Ky., in letter to the "Chronicle," holds operating ratio is only temporary and, when new equipment is obtained, it will be reduced.

Editor, The Commercial and Financial Chronicle:

Referring to your article in the edition of June 24 (page 14) relative to the operations of the Louisville & Nashville Railroad, and its issuance of some $30 million worth of bonds, I am somewhat familiar with the operation and financial matters of this road.

It is very difficult to compare operating and transportation ratios of one road with another without having full information of the many varying conditions. I had occasion recently to look over the transportation ratio of the L. & N. for the past several years, in comparison with that of some other roads, and it doesn't show up to very good advantage in comparison. However, the situation narrows down to this: Due to extension of line and improvements of roadway and bridges, the L. & N. has had to spend a good deal of money. Likewise, the demands have been very heavy for equipment; particularly for coal cars. The issuance of equipment trusts for a large number of such cars has projected an annual payment for the next 10 years of a considerable amount. In buying about 4,000 new cars recently the management did not wish to add to the road's equipment trust obligations maturing from year to year, and they thought they had better pay cash for them. However, to do this, substantially reduced the amount of cash the road had in its treasury. Looking a long way ahead, and for the need of opening up some additional coal fields, and making other improvements, the management thought it was the best time to go into the market for some long-term financing. The Interstate Commerce Commission showed a very friendly acquiescent interest in this view.

At the present time the road has about 61 new locomotives on order (22 large freight locomotives, some passenger Diesels and a number of Diesel switches). All of this, together with other improvements, will ultimately reduce its transportation ratio. It is very highly probable, however, that to get it down to a satisfactory figure the road will have to have a good deal more of improved power and other equipment. The program ahead is so substantial that it seemed better to carry a high transportation ratio for a while than to enter into substantial other equipment obligations.

Despite the suggestions in the article published in your paper, the road is most efficiently operated; there are many ways to improve it, but all of these involve substantial expenditures of money, the immediate wisdom of which is not apparent at the present time as the general conditions are entirely too uncertain.

Sincerely yours,
L. H. McHENRY.
United States Trust Bldg.,
Louisville 2, Ky.

Eastern Rails Get Rate Increase

The Interstate Commerce Commission on July 9 granted the Eastern railroads an increase in passenger fares of about 17%. The increase does not affect commutation fares which have already been advanced in the neighborhood of 20% during the last two years. It is expected that most of the 61 railroad companies affected, operating North of the Ohio and Potomac and East of the Mississippi River, will put the higher rates into effect on July 19.

In announcing the rate increase the Commission's report states: "The proposed fares will still be relatively low in relation to the price level generally, petitioners' increased expenses, various items in the traveller's budget, such as food and lodging, and the prices of private automobiles, gasoline, oil, repairs, and parking fees."

The Commission states also that the railroads have had increases in wages, payroll taxes and in the cost of fuel, materials and supplies since June, 1947, amounting to $427,300,000.

In addition to the general passenger rate increases, the railroads will be permitted to establish a minimum children's fare of 10 cents; and, except for the New Haven, will continue the present 15-cent minimum fare in coaches. Excess baggage charges will be advanced proportionately to the one-way first-class fares.

Twohy Heads Board Of Investors Syndicate

MINNEAPOLIS, MINN.—The election of James F. Twohy as Chairman of the board and a Director of Investors Syndicate, nation-wide investment firm, was announced July 14 by E. E. Crabb, President, following the annual stockholders' meeting and the annual board of directors' meeting at the firm's home offices here. Reelected to the board of directors by the stockholders were E. E. Crabb, B. C. Gamble and C. C. Raugust of Minneapolis, Galen Van Meter of New York, N. Y., and C. R. Martin of Wilmington, Del.

Mr. Twohy, well known for his business interests in engineering and construction finance, became a national figure in 1940 when appointed governor of the Federal Home Loan Bank Administration in Washington, D. C., a position he resigned in 1946 to return to private business in San Francisco. Prior to that appointment he was regional manager of the Home Owners Loan Corporation, San Francisco.

As Board Chairman Mr. Twohy will devote full time to Investors Syndicate, and will headquarter in the Minneapolis office.

The annual board of directors meeting of Investors Syndicate elected E. F. Hatch as Vice-President in charge of security research and reelected incumbent officers; E. E. Crabb, President; Galen Van Meter, Vice-Chairman of the board; D. W. Green, H. K. Bradford, H. C. Carr, W. G. Clark, D. F. Gruenhagen, C. D. McGuiggan, C. J. Moore and J. R. Ridgway, Sr., Vice-Presidents; N. B. Weag, Vice-President and Controller, and J. B. Racey, Secretary-Treasurer.

Assets of Investors Syndicate and its affiliated and subsidiary companies now exceed $550 million with sales offices maintained in 146 major cities throughout the United States.

Mallory, Adee Changes

Paul W. Havener and Robert Lee Gill, member of the New York Stock Exchange, retired from partnership in Mallory, Adee & Co., 120 Broadway, New York City, on July 6.

C. E. Abbett Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John D. Eversoll has been added to the staff of C. E. Abbett & Company, 3277 Wilshire Boulevard.

Railroad Securities

As pointed out in this column last week, while railroad securities as a group have advanced fairly sharply since the beginning of the current year, the performance has by no means been uniform. One of the best acting of the common stocks has been that of Denver & Rio Grande Western. There have been one or two more spectacular percentage rises in the period since Jan. 1, 1948 but these have largely been special situations where market action has been stimulated by talks of stock recapitalizations, mergers or some other specific development. Without any such outside influence the common stock of Denver & Rio Grande Western has recently sold just about 100% above its closing 1947 price of 18½.

One of the major considerations leading to the spectacular action of Denver & Rio Grande Western securities has been the phenomenal operating performance of the road. Few major carriers have as severe physical handicaps as the Rio Grande to overcome. It operates in a mountainous territory over the major portion of its route. It has some of the heaviest grades negotiated by any Class I carrier. This necessitates a considerable amount of helper service even after the comprehensive dieselization program of recent years. Another basic consideration inherent in the trritory served is the normally severe weather conditions encountered and the particularly wide variations in temperatures during the course of the year.

Despite the handicaps imposed by the location of the road's lines, the management has done an outstanding job in getting its expenses under control. For the full year 1947 the road had a transportation ratio of 37.1% which was appreciably below the industry average of 40.0% and more than three points below its own ratio a year earlier. Furthermore, for the first quarter of the current year the ratio was held to 38.8% despite severe winter weather. The road was one of the few in the country to show any year-to-year improvement in this respect. Class I carriers as a whole for the initial quarter reported an increase of almost two points in transportation ratio.

Figures for the second quarter indicate an even greater improvement for that period. In April there was a cut of more than three points in the transportation ratio compared with a year earlier, to 33.8%. The May ratio of 32.9% was 3.4 points below the like 1947 month and brought the cumulative total for the first five months to 36.6%. In connection with this performance it is notable that even in May, undistorted by adverse weather or by bituminous coal strikes, a majority of the nation's major carriers was still reporting transportation ratios at least somewhat higher than those of a year ago. These transportation ratios, measuring the actual cost of handling the traffic, are the most important expense consideration in railroad earnings.

Aside from the outstanding operating performance, speculators and investors in Denver & Rio Grande securities have been impressed with the changed traffic status of the properties. The road has benefited particularly from the high rate of activity in the relatively new steel industry in the Provo-Geneva area of Utah. While this probably has been the most important development, it is not the only favorable aspect of the picture. There has been other industrial growth throughout a large part of the service area and this has not as yet run its full course. Additionally, the road has been able to capture an expanding share of the through transcontinental traffic.

With the bulge in traffic and the outstanding operating performance the road's earnings have also naturally soared. Earnings on the common for the five months through May amounted to $6.12 a share compared with $0.63 a share in the initial five months of 1947. Part of this is due to substantial maintenance credits. On the other hand, there have been special charges to the income account for adjustments on rates charged the Government in past years. Actually, the net distortion is not large. On the basis of results to date the road could readily report earnings of as much as $15 a share for 1948. On such an outlook the stock still appears cheap.

C. J. Bliedung Opens

WASHINGTON, D. C.—C. J. Bliedung is engaging in a securities business from offices at 2300 Eighteenth Street, N. W. He was formerly connected with R. M. Horner & Co.

Securities Salesman's Corner

By JOHN DUTTON

This week, with the kind indulgence of our editor, I would like to tell you about something else that is not directly concerned with the merchandising of securities. Yet in a way, I think what happened to me last Saturday afternoon has much to do with selling, because successful selling depends upon a healthy optimistic state of mind.

If we are honest about it, most of us must admit that there are times when things just don't go right. There are very few men who at some time or other have not had their share of misgivings about their jobs, their health, their future, or the welfare of their families and loved ones. There are the blue days and the bright days. Our greatest victories are always won over ourselves. We know that setbacks, disappointments, and reverses are NORMAL, even as a certain amount of victories are also going to come to us if we keep trying. But sometimes the best of men get blue and discouraged and it is often difficult to "snap out of it." We know things will turn around—that sunshine follows the rain. The man who wins the race never quits. But sometimes we all need a boost. A talk with a friend about our imagined troubles will often put them in the proper perspective so that we can get back on the track again. A good salesmanager who knows his men can assist and encourage them over the rough spots. But if you ever become discouraged again and you want to clear your mind of your doubts and worries, remember this little story and make a trip like I did. In fact, even if you feel good and things are just fine, also do it—you'll be the richer for it in every way.

I have some friends I have known for about 10 years. There is a father and a mother and four children. The oldest boy is about 16, the youngest girl is six. For many years my friend Harry has worked at his filling station and garage, and year by year, he and his good wife have set aside as much as they could for the future. You know how that goes, a fund for educating the children, an addition to the garage, a bit here and there for the time when Harry might not be able to work so hard and would have to retire. Often the mother would say to me, "I just can't afford to get this or that, we must think of Joan's education." And so, they would buy another share or two of stock, or a bond, and the fur coat which she may have liked to have worn (even if she used to laugh about such things) she did without because other objectives were more important.

We all know of fine, good people such as my friends—this country of ours is made up of people like them. So I am not going to tell you any more about them because you have such friends yourself. But the important part of this story happened last Friday night. When I came home I was informed that my friends had been in an automobile accident and that the mother and father, the youngest child and also their 11 year year old boy had been seriously injured. All were lying helplessly in a hospital 50 miles from their home.

So Saturday I went to see them. If you want to know how rich you are—how blessed you are—how grand and fine life is despite all its worries and woes—do what I did. Go visit a hospital. Go see for yourself what a man has to be thankful for when he is well and his family and loved ones are able to walk erect and just be whole and alive.

As I walked over to my good friend Harry he held his hand up to me and I took it. We grinned at one another and he said, "Thank God we are all alive." And I knew it would be alright—that someday he would go back to his garage again, and his wife would be back with her children and her home, and that some way, somehow, everything would be alright—about Joan's education and Harry's later years. And all the petty worries that have plagued this little family (as they do all of us) seemed to melt away because I knew that Harry had the right idea—"They were all alive."

ECA Offers Lure for U. S. Investments in Europe

Paul G. Hoffman, ECA Administrator, issues order agreeing to exchange dollars for foreign currencies received as earnings by U. S. firms investing in Europe.

Paul G. Hoffman announced on July 11 that he had issued an order which would guarantee to American firms, whose applications are approved, an exchange of European currencies accruing from their new investments in Europe for U. S. dollars. Mr. Hoffman stated that this guarantee should be "a substantial inducement to American capital to seek profitable investment abroad," and applications would be judged by "the degree to which such investment serves this primary purpose." Such a provision was authorized by Congress in the ECA Act, when it was brought out that a chief obstacle to investment of private capital as aid in European recovery was the inability or uncertainty of converting back to dollars the foreign currencies that they held or received from their business operations.

Paul G. Hoffman

Economic Ignorance Threatening Free Enterprise System

Robert E. Woodruff, President of Erie Railroad, says there is crying need to develop understanding about railroad industry.

Speaking at the opening session of the Accounting Division of the Association of American Railroads in Cleveland on June 29, Robert E. Woodruff, President of the Erie Railroad, decried the public's economic ignorance, which he said is threatening our free enterprise system.

Robert E. Woodruff

"Our greatest problem today is to overcome the economic ignorance and misunderstanding that is threatening our free enterprise system," he said. "It is management's job to have people understand the importance of profits in business and the relationship between investment, production, and wages.

"American business has done a wonderful job in out-producing the world and establishing the highest standard of living for its people, but it has not done a good job of selling the system by which these things are accomplished," Mr. Woodruff added.

There is a surprising lack of knowledge on the part of the American public about the railroad industry, acording to Woodruff. "It's a big job, and it is up to the railroad accounting officers to provide the basic information," he said.

"Take, for instance, the argument used by labor leaders that the railroads are overcapitalized. You know that isn't so, but the public doesn't know it and is, therefore, susceptible to this false propaganda. As a matter of fact, 28 billion dollars has been invested in the railroad industry, yet the stocks, bonds, and other securities outstanding are only 16 billion, which shows that the properties are worth a great deal more than the securities issued against them."

Now With Stern Brothers

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Foster S. Randle, Jr., has become associated with Stern Brothers & Co., Board of Trade Building. He was formerly with First Boston Corporation.

Marxer Co. Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—George J. Creen is now connected with Marxer & Co., Penobscot Building.

With J. Arthur Warner Co.

(Special to THE FINANCIAL CHRONICLE)

ROCKLAND, ME.—Laurence C. Perry is with J. Arthur Warner & Co., Inc., 431 Main Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

At the regular meeting of the Board of Directors of **The National City Bank of New York** held on July 6, Rollin C. Bush was appointed an Assistant Vice-President and Walter F. Fitzpatrick was appointed an Assistant Cashier.

* * *

Arthur S. Kleeman, President of **Colonial Trust Company of New York,** has announced the promotion of C. F. Meyer to Assistant Vice-President from Assistant Secretary and Assistant Treasurer, and Charles F. Bailey to Auditor from Chief Accountant.

* * *

UNDERWRITERS TRUST COMPANY, NEW YORK

	June 30,'48	Mar. 31,'48
Total resources	$37,976,130	$37,076,235
Deposits	35,174,604	33,296,242
Cash and due from banks	8,215,706	7,554,104
U. S. Govt. security holdings	11,708,214	10,824,103
Loans and bills discounted	12,403,832	11,024,653
Undivided profits	935,658	916,294

* * *

The board of directors of **The Bayside National Bank, Bayside, Queens Borough, N. Y.,** has elected Alvan B. Fehn, Comptroller, as a Vice-President, and Carl R. Landau, Chief Clerk, as an Assistant Cashier, it was announced on July 9 by J. Wilson Dayton, President and Chairman of the board. Mr. Fehn was recently appointed Manager of the bank's Union Turnpike office, Jamaica Estates North, which is to be opened soon. Mr. Landau was named as Assistant Manager.

* * *

The Manufacturers & Traders Trust Company of Buffalo, N. Y., on July 8 elected four new Assistant Vice-Presidents. They are, according to the Buffalo "Evening News," Peter C. Jansen, Berthel E. Esperson, Kenneth E. Smalley and Kathleen J. Sweeney.

* * *

At a meeting of the Executive Committee of the Board of Directors of the **State Street Trust Company, of Boston,** held July 2, F. Murray Forbes, Jr., was elected to the Board to succeed the late E. Schier Welch. Mr. Forbes has been an associate in Mr. Welch's office for the past 16 years with the exception of over four years of service in the U. S. Navy during World War II. In addition to receiving a Navy Commendation for his service during the invasion of France, he also was awarded a citation of the Order of the British Empire.

* * *

Seward W. Jones, one of the nation's oldest banking executives, died on June 27 at his home in Newton Highlands, Mass. He was 91 years of age. As to his banking interests, the Boston "Herald," of June 28, said:

"Mr. Jones was one of a group who organized the Newton Centre Trust Company in 1894, and he became its President in 1914. The name of the company was changed to the Newton Trust Company and is now the Newton-Waltham Bank & Trust Company."

The latter is located in Waltham, Mass. Mr. Jones was also a director of the Boston Mutual Life Insurance Company and had long been identified with the granite industry.

* * *

Henry T. Holt, a Hartford, Conn., banker for 50 years, died on July 8. Mr. Holt, who at his death was 74 years of age, retired in 1940 as Vice-President and director of the Hartford National Bank & Trust Company, it was stated in the Hartford "Courant," of July 9, which said that his resignation came on the 50th anniversary of his start in banking as a $3 a week clerk with the Mechanics Savings Bank. He was later transferred to the old Aetna National Bank, of which he was named Assistant Cashier in 1906 and Cashier in 1914. When the bank merged with the Hartford National Bank in 1915, Mr. Holt was chosen liquidating agent. On completion of the merger, he became Vice-President of the new bank, the Hartford-Aetna National and became a director in 1924 and President in 1926.

In 1927, that bank merged with the United States Security Trust Company and Mr. Holt, the "Courant" reports became Vice-Chairman of the Board of the new Hartford National Bank & Trust Company. In 1935, he was named First Vice-President when the Board was reorganized following the retirement of John O. Enders. He was the organizer and first President of the Hartford Chapter, American Institute of Banking, in 1902. He also served, it is stated in the "Courant" on a New England bankers committee in 1923 suggesting methods to improve the Federal Reserve System.

* * *

William J. Dwyer, President of the **Bergen Trust Company of Jersey City, N. J.,** died suddenly on July 9 as the result of a heart attack which he suffered outside Gov. Driscoll's office in Trenton. Mr. Dwyer was 60 years of age. Advices from Trenton to the Newark "Evening News" of July 10 stated that Mr. Dwyer had been head of the Jersey City bank since 1939. He was a director from 1929 to 1939 and took over the Presidency when the bank was reorganized. The "News" likewise said:

"Mr. Dwyer had been a member of the American Bankers' Association since 1927 and was a trustee. He headed the War Bond Committee for the New Jersey Bankers' Association during World War II."

* * *

The Citizens Trust Co. of Summit, N. J. is celebrating its Silver Anniversary having been founded 25 years ago. Designated at the start as "a progressive trust company devoted to the development of Summit," the management says:

"Sound, conservative and progressive policies have enabled the Citizens Trust Company to weather the storm of one of the severest depressions in our nation's history and to withstand the economic shock of the most destructive war the world has known."

From a modest beginning the institution at the end of its first year on June 30, 1924 showed $653,092 deposits, $100,000 capital, $50,000 surplus and $1,285 of undivided profits and reserves; on June 30, 1948 the combined capital, surplus and profits amounted to $353,193 with deposits of $5,712,203, an increase of $804,377 to $6,075,092 in the 25-year period. This growth is significant in a small town where two other older banks preceded it. John D. Hood is Chairman, Harry W. Edgar, President and Trust Officer of the Citizens Trust Company; Marcy P. Stephens, Cadwell B. Keeney are Vice-Presidents, while Robert O. Peterson is Vice-President, Secretary and Treasurer. The Assistant Sec-

(Continued on page 39)

Canadian Securities

By WILLIAM J. McKAY

Even without dramatization of the more glamorous aspects of the Canadian situation, on the basis of fundamental facts alone, a convincing case can be made to show that in the next decade the Canadian dollar can become the strongest currency in the world, and Canada the most favored haven for international capital. The trend in this direction had already commenced to develop prior to the revaluation of the Canadian dollar but at that time the movement was largely based on currency speculation.

As a result of the European economic crisis and notably the inability of Britain to implement its intentions concerning the convertibility of sterling, pressure was brought to bear on the Dominion's U. S. dollar position and the capital flow toward Canada came to an abrupt halt. This eventually however might be considered in the nature of a blessing in disguise since as a result of this setback Canada has been obliged to take energetic measures designed to redress a fundamental weakness in the Dominion's economic structure. Following this enforced re-orientation of Canada's long-range economic policy the Dominion is now well on the way towards economic independence, and is now less vulnerable to the influence of unfavorable external developments.

Furthermore Canada's external trade is becoming increasingly diversified with manufactured goods now constituting an important proportion. In addition many export items are virtual Canadian monopolies and are consequently essential imports for the Dominion's foreign customers. To an increasing degree the rest of the world is obliged to call on Canada for essential requirements in the shape of forestry products, nickel, asbestos, platinum, radium, aluminum, copper, lead and zinc. As far as the import side of the ledger is concerned Canada's latent possibilities for dynamic expansion of production of iron, coal, and oil suggest that before long the Dominion will not only be able to satisfy its domestic requirements but will also have surpluses of these commodities for export.

Thus judged from the angle of foreign trade no currency in the world has stronger backing than the Canadian dollar. What is even more important however is that by virtue of sound financial management the internal purchasing power of the Canadian currency unit has been less exposed than any other to the undermining influences of inflationary policies. It has even been necessary for the Canadian authorities to take steps (including the upward revaluation of the Canadian dollar) to permit Canadian prices to rise in order to attain a closer relationship with those prevailing in this country.

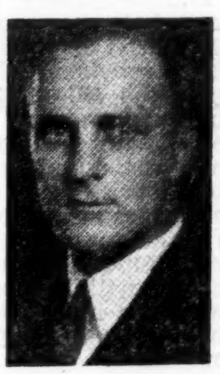
For youthful country that appears to have its period of greatest expansion immediately ahead the basic strength of the national currency is of incalculable benefit. Taken in consideration with Canada's unsurpassed record of willingness and ability to meet her obligations, there is every reason to foresee an early resumption of the flow of foreign capital towards the Dominion and a consequent appreciation in the markets in this country for free funds, and internal stocks and bonds.

During the week a firmer tendency was evident in both the external and internal sections of the bond market, no doubt as a result of the announcement of the satisfactory conditions of the $150 million Dominion borrowing from a group of insurance companies. Free funds also displayed a better tone, and the stock arbitage rate improved to a new high level of 12%.

Stocks held fairly steady in a quiet market with the paper and Western oil issues in good demand. Base metals on the other hand were mostly lower led by a sharp decline in Gulf head.

Courts Elected Director

Delta Air Lines announced election of Richard W. Courts, Courts & Co., Atlanta, as a new member of the board of directors. C. E. Woolman, President and General Manager of Delta, said the election came last week at a regular quarterly meeting, but that announcement was held up until Mr. Courts had accepted.



Richard W. Courts

Formerly with the Atlanta National Bank, the First Trust & Savings Corporation of Atlanta, the Trust Company of Georgia, Mr. Courts is presently a director of Southern States Realty Company, Southern Mills, Inc. (director and treasurer), Atlantic Company, Atlantic Realty Company (chairman of board), Sea Island Company, Southeastern Greyhound Lines. Mr. Courts also is prominent in civic, social, and charitable affairs.

Evans, O'Hara Elected By Commerce Trust

KANSAS CITY, MO.—At its July meeting, the directors of Commerce Trust Company, elected two new Assistant Vice-Presidents, Harold C. Evans and Ben H. O'Hara. Both have been key men in the Investment Department of the bank for more than 27 years. Mr. Evans as municipal bond buyer and Mr. O'Hara as salesman and, in recent years, sales manager.

Cross Exec. V.-P. of Harriman Ripley Co.

Changes in the executive organization of Harriman Ripley & Co., Incorporated, 63 Wall Street, New York City, were announced by Joseph P. Ripley, Chairman, and Pierpont V. Davis, President, following the meeting of the Board.

Milton C. Cross

Milton C. Cross was elected Executive Vice-President. As the administrative officer he is to manage the operations of the Corporation and, in the absence of the Chairman and President, is to assume their duties as chief executive officer. Mr. Cross, at 48, has been in the investment banking business for 32 years, having started in 1916 with N. W. Halsey & Co., the New York office of which was acquired by The National City Company later in that same year. He continued with the National City Company in various capacities, engaging principally in buying activities, until he joined Harriman Ripley at its formation in 1934. Mr. Cross was elected an Assistant Vice-President in 1937, a Vice-President in 1939 and a Director in 1941.

Harry W. Beebe was elected Senior Vice-President in charge of Public Relations. Mr. Beebe entered the investment banking business in 1903 and later became associated with N. W. Harris & Co. Other connections prior to joining Harriman Ripley in 1934 include The National City Bank of New York and The National City Company. Sales, Syndicate, Trading and Municipal business of the Corporation will be under the direction of Elwood D. Smith, Vice-President. Franklin T. McClintock, Vice-President, assumes charge of the buying activities.

Business Outlook Seen Favorable for Balance of 1948

Bache & Co. sees continued governmental stimulation of business activity, but warns situation cannot continue indefinitely.

In analyzing the mid-year outlook, Bache & Co., Member of the New York Stock Exchange, predicts "the present high rate of business activity will be maintained at least for the balance of 1948. Various industries will fare differently, however, with some going to new highs, others maintaining their current rates and still others showing decline." Continuing, the forecast states that "the near term prospect is for continued governmental stimulation of business activity, both actual and psychological, at least until the end of the year, if not for a longer period. It is apparent, however, that such a situation cannot continue indefinitely. The necessity for such stimulation suggests that the present rate of business activity does not lie upon a sound foundation. It is interesting to examine the possibilities which could terminate the present conditions."

Donald Hogate Resigns

Donald D. Hogate has resigned as Director of Public Relations of the New York Stock Exchange. He will leave the Exchange on July 16. Mr. Hogate will reenter public relations work in Washington.

Vardaman of Federal Res. Approves Proposal For Study of Monetary and Credit Policies

Writes Winthrop W. Aldrich expressing hope Congress will act on suggestion to create a National Monetary Commission.

In a letter to Winthrop W. Aldrich, Chairman of the Board of the Chase National Bank, dated June 28, James K. Vardaman, Jr., a member of the Board of Governors of the Federal Reserve System, expressed approval of Mr. Aldrich's suggestion made at the New York State Bankers Convention at Bretton Woods on June 14 (see "Chronicle" of June 17, 1948), that Congress provide for a commission to study changes in nation's monetary and banking system.

The complete text of Mr. Vardaman's letter follows:

Dear Mr. Aldrich:

On my return today from a three weeks' business trip, I have read with interest your speech before the Convention of the New York State Bankers on June 14, in which you proposed the creation by Congress of a Commission for the purpose of studying our monetary, banking and bank-supervisory and credit structures. Please allow me to congratulate you upon advancing publicly this idea. In principle, I endorse it wholeheartedly and without reservation.

You will recall when I had luncheon with you and your board in March, 1947, that we discussed the advisability of an analytical study of these subjects, and of our systems and methods of operation. At that time I had been a member of this board less than a year and did not feel qualified to make any definite proposals myself because of my limited personal experience since returning to civil life at the conclusion of World War II. However, since our meeting in 1947 on this subject, my experience has convinced me beyond any reasonable doubt that the Congress should take cognizance of the present complicated structure and enact such laws as may be necessary, not to centralize operational or supervisory control, but to coordinate the structure and fix more definitely the brackets of authority within which the numerous elements should function, and possibly to make a more appropriate assignment of certain functions and controls between the various supervisory authorities.

From time to time during the past year, I have discussed this subject informally with several United States Senators and have found them to be cognizant of the present confused situation and seemingly anxious to do something about it. These conversations encourage me in the hope that your suggestion will receive a cordial and constructive welcome in the Congress.

Please understand that this letter expresses my own individual ideas and has nothing whatsoever to do with other board members or the official position which the board may take. So far as I know, your suggestion has not been discussed either formally or informally by the board members, and I emphasize that this letter is solely an expression of my personal thoughts in the premises. I would welcome an opportunity to discuss the subject in further detail with you.

With best wishes, I am
Sincelerly,
JAMES K. VARDAMAN, JR.

Mr. Winthrop W. Aldrich,
Chairman, Board of Directors,
The Chase National Bank,
New York 15, New York.

Mason Resident Manager of Central Republic in N. Y.

Robert Mason, who has been with the Central Republic Company, Chicago, since its inception in 1931 and a vice-president since 1942, has been appointed resident manager of the firm's New York office at 14 Wall Street, Newton P. Frye, President, anonunced. Mr. Mason is a member of the executive committee of the Central States group of the Investment Bankers Association and chairman of the Public Service Securities committee of the Association.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

The 49th annual volume of "Best's Insurance Reports—Fire and Marine" has just been received.

Reports on 926 companies are given, comprising: stock companies, mutual companies, Lloyd's organizations and reciprocal or inter-insurance exchanges. Some 640 pages are required to present facts and figures on the stock companies, about 280 pages for the mutuals, 10 for Lloyd's and 35 for the reciprocals. Including Preface, Table of Contents and index, the volume contains more than one thousand pages.

A typical report on one of the larger fire insurance companies, such as Continental Insurance, requires 2¾ pages. Balance sheets, as of Dec. 31, 1946 and Dec. 31, 1947 head the report, followed by information on the following principal topics: History, Management, General Underwriting Policy, Operating Record, Investments and a five year Comparative Financial and Operating Exhibit. Under "Operating Record" is presented a 10 year report on premium volume and losses incurred according to class, viz: fire, ocean marine, motor vehicle, inland navigation, extended coverage, tornado, hail, etc. In this way the relative business written in each class and the degree of profitableness or unprofitableness can be studied.

The section entitled "Investments," gives the total holdings in the Company's portfolio, classified dollarwise and percentwise as to type and industry, and it also shows several of the larger blocks of stocks held, for instance: 14,420 Chesapeake & Ohio, 5,000 American Telephone and Telegraph, 12,500 Eastman Kodak, 20,000 Standard Oil of N. J., etc.

Many items of a miscellaneous nature are also exhibited, for example: annual price range for some 20 years; dividend record; dividend rate and dates; stock transfer agent; registrar; territory served; officers and directors.

The "Preface" section, comprising some 10 pages, is of particular benefit to those wishing to know more of the industry as a whole, and something of the significance of the various statistical indicators and ratios that are in use.

The first tabulation of importance shows aggregate net premiums written by all stock companies each year from 1929 to 1947 inclusive; together with the corresponding annual loss ratio, expense ratio and combined ratio. The year 1947 topped all previous years with an aggregate volume of $2,034,808,000; lowest year was 1933 with $614,600,000. The table shows that the combined ratio reached or exceeded 100.0% only twice in the 19 years, viz: 1930 with 100.0% and 1932 with 102.5%. The best year was 1935 with 88.3%; 1947 was 97.7%.

Another tabulation worth special notice is entitled "Distribution of Premiums," which covers the period 1920 to 1947. Of significance is the fact that in 1920 fire previums represented 77% of total premium volume, but in 1947 only 50%. Other lines which have grown rapidly over the intervening years are motor vehicle, ocean marine and inland marine; extended coverage, has expanded sharply over the past five years.

Brief and informative discussions are presented covering: major disasters, fire underwriting experience, motor vehicle experience, ocean marine experience, inland marine experience and tornado experience. Some important paragraphs are presented on the timely topic of "Insurance is Commerce," according to the dictum of the Supreme Court, and is therefore subject to the Sherman Anti Trust Act and the Clayton Act.

Several paragraphs are devoted to "investments" and the problems faced by the investment departments of insurance companies, also to the problem of financing a rising volume of business, to the relationship of capital funds to premium volume and to the so-called "three way squeeze."

A whole section, comprising two pages, is devoted to "Explanation of Statistical Exhibits": This discusses and explains such items as: policyholders' surplus, unearned premiums, net premiums earned, underwriting ratios, investment results, equity in reserves, invested assets per share, Federal taxes, etc.

Another helpful exhibit, found in the front of the volume preceding the Preface, is a list of the state officials who have charge of insurance affairs in all states and territories, also in Canada. This table gives name, title, address and expiration date of term.

Toward the end of the volume is the "Canadian Company Section," a table of Advisory Organizations, a list of Underwriters' Agencies and the names of retired companies and associations.

All in all, this volume constitutes a remarkably complete and authoritative manual on the fire insurance business, in the interests of both policy holder and investor. For the insurance stock statistician, dealer and investor, if he would be well informed, it is well-nigh indispensable.

FHLB Notes on Market

Public offering of $115,000,000 Federal Home Loan Banks consolidated non-callable notes, 1.65% Series C-1949, was made July 13 by the Federal Home Loan Banks through Everett Smith, fiscal agent. A nationwide selling group of securities dealers participated in the offering. The notes, to be dated July 22, 1948, and to mature July 22, 1949, are priced at par.

Part of the proceeds from the offering will be used to refund the $40,000,000 temporary issue of Series C-1948 consolidated 1.45% notes dated June 10, 1948, and due July 22, 1948. The balance of the proceeds will be used for the loan and other requirements of the banks.

The notes are the joint and several obligations of the 11 Federal Home Loan Banks.

The banks' outstanding advances to member institutions on May 31, 1948, aggregated $418,284,190 compared with $435,572,186 on Dec. 31, 1947, according to the consolidated statement of condition. Total earned operating income of the 11 banks during the five months ended May 31, 1948, amounted to $4,723,418. Net income totaled $1,923,819 after all charges, including interest of $1,807,286 on consolidated obligations.

Financial Writers to Hold Outing July 18

The New York Financial Writers Association will hold an outing on July 18 at the former Yountakah Golf Club, Nutley, N. J. Among the guests will be the Governors of the New York Stock and Curb Exchanges and of the Association of Stock Exchange Firms.

Reports Labor's Share of National Income Up

Survey compiled by John A. Ritchie also reports investors' share dwindled to an alarming figure since 1929.

Labor's share of America's national income, measured in dollars, has risen by leaps and bounds since 1929 while the investors' share has dwindled to an alarming figure.

Similarly, the "real" value—the purchasing power—of labor's share has increased far beyond the rise in the cost of living, while the purchasing power of the investors' portion has dropped sharply.

John A. Ritchie

That, in brief, summarizes the findings of a noted New York utility executive who has just completed an authenticated survey of the trend of the national income from 1929, peak of the so-called "prosperity period" and harbinger of the depression, up to and including 1947.

The survey, phrased in simple language and based on official government statistics, has been compiled by John A. Ritchie, Chairman of the Board of the Fifth Avenue Coach Company.

Although carefully abstaining from interpretation of its factual content, the survey is by itself an answer to the claim of certain labor leaders that corporate profits are far outdistancing the gains of the American workingman.

Thus, while corporate profits amounted to $17,400 million last year, or 8.6% of the national income, labor's share in wages and salaries from private business totalled $105,200 million which represented 52% of the national income.

Wages and salaries showed a dollar gain of 132.71% over 1929, while dividends increased by only 16.78%. Only $6,800 million was paid out to investors in dividends. All the remainder was retained for capital expansion, improvements and reserves—to increase and improve production, seek out new markets, create new jobs and make more secure the jobs already held.

In real value—purchasing power—labor's share in 1947 was 81% greater than in 1929, while dividends paid investors last year were reduced in purchasing power by 9.18% over the same period.

The "real value" of the 1947 dollar, based on prices prevailing in 1939 (when World War II broke out) was 63 cents. Thus, wages and salaries last year increased, in real buying power, to $66,276 million compared with $36,617 million in 1929, while the purchasing power of dividends shrunk from $4,717 million to $4,284 million in the same period.

SEC to Request More Frequent Reports

Proposes requiring monthly or quarterly reports of registered unlisted companies.

The Securities and Exchange Commission announced on July 9th that it had under consideration a provision which would require the filing of monthly and quarterly as well as annual reports by unlisted companies which have registered securities under the Securities Act of 1933. These companies at present are required to make annual reports only. The new proposal would provide investors with the same type and amount of information as is available from the reports of listed companies.

The Commission is circulating the proposed changes to be made in registration requirements and has set July 30 as the final date for comment and opinion by those who are interested.

Plough, Inc., Starting Educational Program

Plough, Inc., of Memphis, manufacturers of proprietary remedies, cosmetics and household essentials, is undertaking an educational program directed through brokers, investment dealers and investment counsel, to acquaint the public with its history and growth and with the performance of its various subsidiaries and separate operating divisions, outlining the contributions of each to its general welfare. It contemplates prompt announcement of sales, quarterly earnings and news regarding new acquisitions and developments included in its plans for further expansion.

Joins Courts & Co. Staff

(Special to THE FINANCIAL CHRONICLE)

ROME, GA.—Hillary E. Goode has joined the staff of Courts & Co., 4 East Second Avenue.

Sees Reduced Currency Hoarding

"Monthly Review" of Federal Reserve Bank of New York notes some return to banks of bills in large denominations during 1948 and holds this may be due to repatriation of U. S. dollars held abroad.

In an article entitled "Currency Hoarding," the July issue of the "Monthly Review" of the Federal Reserve Bank of New York attempts to measure the extent of currency hoarding and comes to the tentative conclusion that the extent of this hoarding, as measured by the amount of large denomination bills outstanding, is gradually being reduced. The text of the article follows:

In discussions of the monetary situation, reference is frequently made to changes in the velocity of currency circulation and bank deposits. Since velocity is directly affected by increases in the amount hoarded or the reactivation of idle money, conjectures as to possible future changes in velocity necessarily involve an estimation of the amount and nature of such holdings.

Direct statistical measurement of either hoarded currency or idle deposits is not possible. But a rough estimate of the amount of currency that may be needed currently for everyday cash transactions can be made by relating currency of different denominations to such over-all measures of the volume of monetary transactions as national income or consumer expenditures and applying the ratios which prevailed in the prewar period to current levels of national income. Since patterns of money use change and the effects of the war on the use of currency are difficult to evaluate, such estimates are of necessity only very rough approximations. Nevertheless, if these estimates of currency requirements are compared with the total amount of currency outstanding today, it is obvious that the total currency outside banks is well in excess of present cash needs for current transactions and that a substantial amount is being withheld from general circulation. Of the approximately $25 billion of currence outside the banks possibly as much as $9 or $10 billion apparently is being hoarded, here and abroad, or has been lost or destroyed.

The wartime increase in the notes of the smaller denominations ($1, $2 and $5 bills), which are most frequently used in cash transactions and which generally are not likely to be hoarded in sizable amounts because of the bulk involved, was close to what might have been expected from the prewar ratios. In fact the increase was somewhat less than might have been expected, but allowance must be made for the increased demand for larger bills reflecting the rise in wages and prices.

In contrast, circulation of the $20 bills increased considerably. These bills were apparently a preferred medium for hoarding. The demand for them, as the accompanying chart shows, was extremely heavy throughout the war and early postwar years. Although the relative growth in the number of $20 bills outstanding might have been expected to be greater than the increased circulation of small denominations (because of increases in wages and prices), the actual increase appears to have been excessive by any measure. At the present time it may be estimated on the basis of prewar relationships that nearly $5 billion of the $8.7 billion of these bills outstanding are not being actively circulated. Before the war these bills normally circulated at a rate several times faster than $100 bills judging by the rates of return of unfit currency to this bank. Currently, because such a large proportion of $20's apparently are being hoarded, the turnover of the total amount outstanding is approximately the same as that for the $100's.

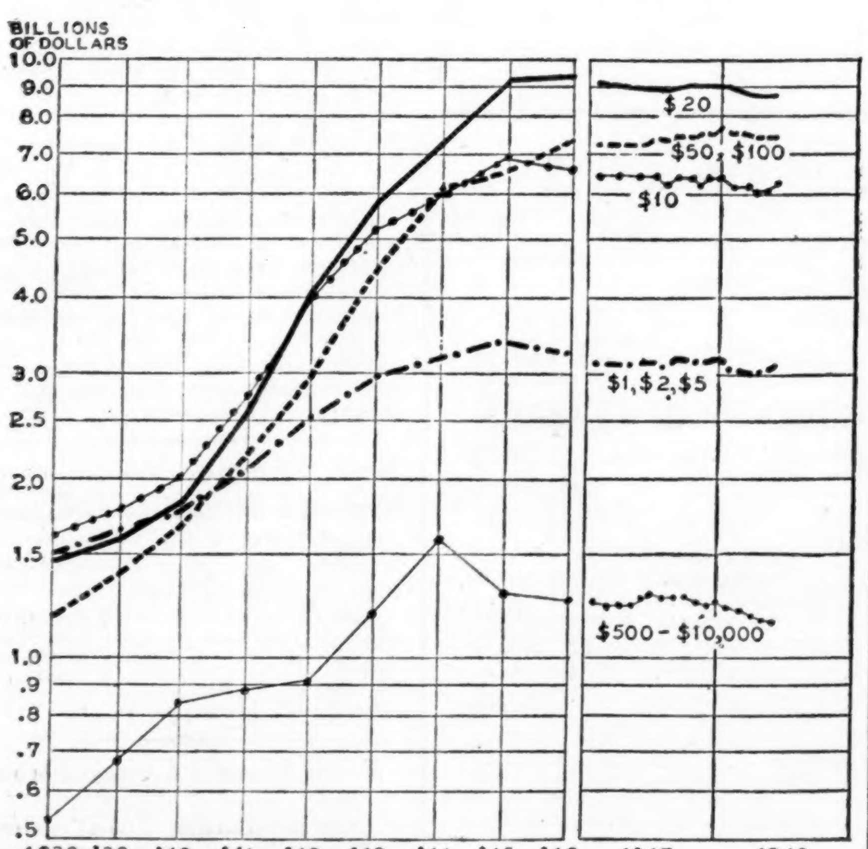
The $50 and $100 bills seem also to have been used extensively for hoarding purposes. The amount of these bills outstanding increased quite sharply until 1945 when the Treasury asked the banks to report all requests for or deposits of large bills in order to help uncover black marketeers and tax evaders. The Treasury's action did not completely check, although it slowed down, the demand for $50 and $100 bills. The number of these bills outstanding, in contrast to the other denominations, continued to increase until the beginning of 1948. Currently between $3½ and $4½ billion more of these bills are outstanding than might be expected on the basis of prewar patterns of currency use.

The Treasury's action, as the chart shows, did, however, abruptly check the demand for the largest denomination notes ($500 to $10,000). During the past three years moderate amounts of these bills have been returning to the banks, possibly in exchange for $20, $50, or $100 bills.

During the first six months of 1948 a considerably larger amount of currency was returned to the banks than can be accounted for by such seasonal factors as the post-Christmas return flow and quarterly income tax payments. Currency of all denominations has been returning at about the same rate, with the exception of $50 and $100 bills, the "circulation" of which also has been reduced, but not so rapidly. Judging by changes in the note liabilities of the different Reserve Banks, all sections of the country have experienced some contraction in currency circulation. Part of this return flow has undoubtedly come from hoards; some may also represent a decline in the amount of currency which people keep on hand for daily transactions. War time dislocations are gradually being eliminated, reducing abnormal needs for currency, and the rising cost of living may be reducing the "pocket money" of those whose incomes have not kept pace.

Some observers have suggested that a return flow of currency from abroad may also have been a factor. Opinions differ widely as to the amount of foreign holdings of United States currency; some estimate them at less than a billion dollars, others as high as $4 billion. Repatriation of this currency depends on political and economic conditions both here and abroad, and it is hard to guess whether and when any large amounts might be returned. During the past two years, however, there apparently has been a marked rise in receipts of currency from overseas, at least in the New York area. Recent discussion of a possible currency conversion may have been a contributing cause. As yet, however, these receipts do not appear to have been large enough to have had a very significant effect on total currency circulation.

Amount of Currency in Circulation by Denomination*
(End of year 1938-46, end of month 1947-48)



* Plotted on ratio scale to show proportionate changes.
Source: U. S. Treasury Department.

With Wagenseller & Durst, Inc.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Sherwood Field has been added to the staff of Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange.

Off the Beam

"As every one knows, the steel producers, owing to the present abnormally high demand for steel, are in a position to charge 'what the traffic will bear' regardless of whether they operate under a basing-point or an f. o. b. system. It is not inconceivable that at the very same time they abandon the basing-point system they will actually raise their mill prices in order to reap the fullest possible advantage of the present sellers' market. . . .

Sen. J. C. O'Mahoney

"It would be a characteristic monopolistic move to endeavor to create the impression that such price increases were caused by the abandonment of an innocent system, whereas the fact is that the Supreme Court has ruled against the system only so far as it is used collusively to suppress competition."—Senator Joseph C. O'Mahoney.

One must, of course, wonder in light of what the Senator says why the mills have not long ago raised their prices — if what he has to say is true.

The fact of the matter is that one searches history in vain for instances of such price moderation as most manufacturers have shown in the circumstances existing since the end of the war.

With M. E. Kight and Co.

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, CALIF.—Clifton R. Hubbard has joined the staff of Mason E. Kight and Co., 116 West Ocean Boulevard. He was previously with Buckley Brothers.

Hays With C. A. Botzum

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Norman C. Hays has become affiliated with C. A. Botzum Co., 210 West Seventh Street. He was previously with L. H. Bullock.

Joins Buckley Bros. Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Leonidas S. Barboza has joined the staff of Buckley Brothers, 530 West Sixth Street. He was previously with Davies & Co.

With First California Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Donald M. Palmer has become associated with First California Company, 510 South Spring Street. He was formerly with Lester & Co.

Analyzes Actual State of British Finances

W. Manning Dacey, in "Lloyds Bank Review," says actual figures for 1947 reveal "a sorry spectacle." Concludes a healthy situation will not be in sight until public expenditure has been drastically pruned and tax burden alleviated.

Writing in the July issue of "Lloyds Bank Review," published by Lloyds Bank of London, W. Manning Dacey in an article entitled "The Budget, Overseas Borrowing and Domestic Investment," reviews the political and economic principles underlying the fiscal and financial policies and then analyzes the actual state of the British finances. Clothing his abstractions with actual figures for 1947, which figures Mr. Dacey calls "a sorry spectacle," he goes on to summarize British income and outlay in the year as follows:—

	£m.
Public Expenditure	3 256
Domestic Capital Formation	1,169
Consumption	6,161
Total Outlay	10,586
Taxation	3,045
Private Saving	705
Overseas Borrowing	675
Consumers' Spending	6,161
Total "Income"	10,586

"It will be seen," Mr. Dacey comments, "that the consumption item is common to both sides of the table, and we can also eliminate from both sides taxation and the public expenditure which it finances. This leaves us with the following equation:

	£m.
*Public Deficit	211
Domestic Capital Formation	1,169
	1,380
Private Saving	705
Overseas Borrowing	675
	1,380

Continuing Mr. Dacey states:

"The situation which this depicts is surely a lamentable one. It will be seen that as much as £675 millions of last year's capital formation was not financed by our own savings at all but by overseas borrowing. After meeting yet another public deficit, indeed, this country's own savings in 1947 were sufficient to finance a net addition to our national wealth of less than £500 millions. And even this, unfortunately, depicts the position in far too rosy a light. Even in official publications it has been admitted that the Inland Revenue depreciation allowances based on original cost, are quite inadequate to provide for the replacement of capital in a period of rising prices. 'The annual wear and tear of capital,' says the Economic Survey for 1948, 'requires at current costs of construction some £900 millions of investment to make it good. Since depreciation allowances as shown by the White Paper amount only to £775 millions, it follows that net investment on a true reckoning cannot have exceeded £269 millions and may well have been even lower since even the Economic Survey estimate of depreciation is far from generous. Prices of capital goods having at least doubled since before the War, this means that at 1938 prices our net investment last year — including public capital formation as well as industrial re-equipment—was at the most £135 millions, compared with actual net investment in 1938 of £227 millions. In other words, the net result so far of all our planning of priorities, targets and 'putting first things first,' has been that after a devasting war with vast destruction of capital we were saving, in real terms, possibly half as much as in 1938.

"To say this should not be construed as a condemnation of the policy enunciated in the White Paper on capital formation. To be sure, the modernization of our industrial equipment is not merely desirable but in the long run our only hope of salvation. Capital formation at the expense of our last-ditch gold reserve, on the other hand, is merely a short cut to national bankruptcy. Since there can be no doubt that over-ambitious capital programs especially on housing, were aggravating the strain on our exchange reserves, the pruning of such expenditure was clearly the lesser evil. That does not make it any less an evil; nor does acceptance of the need to curtail expenditure as a whole imply any agreement that the particular expenditures eliminated were precisely those which ought to have been stopped in the national interest. Even within the capital sector, it is arguable that the axe fell too heavily on industrial re-equipment and all too lightly on certain branches of public capital formation; and it may further be argued that certain items of public current expenditure or of inessential private consumption could be dispensed with at far smaller ultimate cost to the general welfare. It is possible, in other words, to curb inflation without jeopardizing our industrial future, just as it should have been possible to finance reconstruction without undermining the defenses of the pound sterling."

*This exceeds the figure of £135 millions sometimes quoted by the amount of £76 millions of indirect taxes which, falling on capital formation, are in effect paid out of the £705 millions of private saving.

Bartling, Corbrey & Co. Formed in Los Angeles

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Bartling, Corbrey & Co. has been formed with offices at 650 South Spring Street, to engage in the securities business, succeeding the Los Angeles office of Carter H. Corbrey & Co. Officers are Herbert W. Bartling, President; Carter H. Corbrey, Arthur W. Billings, and John A. Smith, Vice-Presidents; and Claude J. Whitfield, Secretary-Treasurer. Mr. Bartling was formerly with the Los Angeles office of Carter H. Corbrey & Co. Mr. Corbrey is head of the latter firm.

Sterling, Courtney & Ewing Opens in Jacksonville, Fla.

JACKSONVILLE, FLA.—Sterling, Courtney & Ewing, Inc., has been formed with offices in the Barnett Bank Building to transact a general investment business as successors to the Jacksonville office of Allen C. Ewing & Co.

Officers are Norman E. Sterling, President; William M. Courtney and Allen C. Ewing, Vice-Presidents; and Elizabeth J. Leiner, Secretary. Mr. Ewing is also head of William C. Ewing & Co. of Wilmington, N. C.

Curb Quarter Century Club Dinner July 16

The members of the New York Curb Exchange Employees Quarter Century Club will be guests of the Exchange at a shore dinner on Friday evening, July 16, Louis R. Burgers, President of the Club, has announced. The affair is in the nature of a testimonial to nine new club members admitted during the past year. A bus leaving from the Exchange will take club members to Freeport, Long Island, where dinner will be served at the East Point House.

Francis Adams Truslow, Curb Exchange President; Edward C. Werle, Chairman of the Board of Governors, and Andrew Baird, Vice-Chairman, will be present as honorary members of the club. Mortimer Landsberg, President of the Curb Members' Five and Twenty Club will also attend.

The organization, composed of members of the Curb Exchange staff who have completed 25 years of service with the Exchange, was organized by 13 charter members on June 27, 1946, the 25th anniversary of the Exchange as an indoor securities market. Today there are 25 members.

New Director for Midland Securities Ltd.

TORONTO, ONT., CANADA—Midland Securities Limited, offices located in London and Toronto, Ontario, announce the addition of five new directors to their board: H. O. McDonald, W. N. Bickle, J. T. Skelly, D. G. Simpson, C. W. McBride.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John H. Auerbach has become connected with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street. He was formerly with Buckley Brothers.

Ability-to-Pay Taxation Not Compatible With Private Property

(Continued from page 4)

ability principle, but it will be noted that the second part suggests proportional taxation of income. In another place, in discussing taxes on house rents Adam Smith lends support to progressive rates. He says, "It is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue but something more than in that proportion."[7] Although Smith's statements on the question are somewhat vague and inconsistent, it can be safely asserted that extensive use of progressive rates would be incompatible with his general philosophy.

At the time of the discussion of the first income tax in the English Parliament, in 1799, Lord Auckland said that progressive taxation would be contrary to all the safety and rights of property and that it would amount to a plan for equalizing fortunes. Most of the economists of the eighteenth and nineteenth centuries regarded departure from a proportional rate as a socialistic step that would lead to confiscation. The comments of both J. R. McCulloch and John Stuart Mill are representative of the general attitude. The former says, "The moment you abandon, in the framing of such taxes, the cardinal principle of exacting from all individuals the same proportion of their income, or their property, you are at sea without rudder and compass, and there is no amount of injustice you may not commit."[8] Mill says, "The rule of equality and fair proportion seems to me to be that people should be taxed in an equal ratio on their superfluities, necessaries being untaxed, and surplus paying in all cases an equal percentage. This satisfies entirely the small amount of justice that there is in the theory of a graduated income tax, which appears to me to be otherwise an entirely unjust mode of taxation, and, in fact, a graduated robbery."[9]

After an exhaustive survey of the principles of tax distribution in 1894, Professor Seligman concluded that progressive taxation to a certain extent was an ideal but he warned that caution should be exercised in any general application of the principle.[10] After the turn of the centry a large majority of the economists, especially in the United States, England, and Germany, endorsed the ability-to-pay principle and progressive taxation. The doctrine is accepted, with certain reservations in some cases, by most of the writers of the present century. C. F. Bastable, F. W. Taussig, and H. L. Lutz are prominent representatives of the minority group that has continued to embrace the "old" orthodoxy of the nineteenth century rather than the "new" orthodoxy of the twentieth century.

Several factors contributed to the decline of the benefit principle and the ascendancy of the ability-to-pay theory during the last quarter of the nineteenth century and the first quarter of the twentieth century. Among the most important of these are the democratic movement, the Industrial Revolution, and development of the theory of diminishing utility. With the growth of constitutional government and popular sovereignty, the national will shifted its seat from the higher to the lower classes. Democracy vested in the masses the authority to determine the nature and scope of governmental activities and to select the means of financing them. The privilege of tax exemption or preferential treatment in taxation which the ruling or wealthy classes secured for themselves during the Middle Ages and retained in large measure down to the French Revolution was lost when the lower income classes assumed the dominant political role. More than that, the tax systems established under the influence of the lower income classes were directed especially towards the wealthy classes. Ability to pay provided a convenient practical justification for shifting the burden of taxation from the lower income groups to the higher income classes.

The economic justification of progressive taxatoin and ability to pay was strengthened by the development of the theory of diminishing utility in the seventies and eighties of the last century. Marginal utility became the measure of sacrifice; and economists in increasing numbers embraced the ability-to-pay principle. The growing sentiment for this principle was no doubt partly responsible for the income tax movement in the United States in the present century, but it should not be assumed that it was a major influence. Statesmen, rather than economists, have exerted the major influence in the adoption of progressive taxes in both the nineteenth and the twentieth centuries.

Recent Criticisms of the Ability-to-Pay Doctrine

Notwithstanding the endorsement, with reservations, of the ability-to-pay principle by a majority of living economists, during the last decade a minority group of American economists has attacked this basis for distributing tax burdens. Among this group is Professor Lutz, who along with Bastable and Taussig, refused to acclaim ability to pay when it was being so widely endorsed earlier in the present century. In a recent discussion of progressive taxation Lutz says, "It is evidently not yet clearly seen even by those able groups which have been devoting time and thought to the problems of the postwar period, that the goal of free private enterprise and the goal of progressive taxation are entirely inconsistent. . . . The ultimate goal of progressive taxation is the equalization of incomes. . . . Any progressive tax scale is a longer or shorter step toward the final goal, according to the degree of progression involved."[11] In another article in the "Tax Review," Lutz states that, "Instead of using as the keynote, the thread-bare slogan, 'Taxation according to ability,' it would be more appropriate to say, 'Taxation so as to call forth ability.'"[12]

In an able appraisal of attempts to determine the slope of the diminishing marginal utility curve of money income, E. D. Fagan concludes that such efforts have been futile and that progressive taxation, therefore, cannot be based upon the theory of equal sacrifice.[13] He provides no categorical answer to the question of progressive taxation, but he does indicate that the socio-political theory is the most reasonable basis upon which to decide the issue. Fagan's convincing criticism of the principle of diminishing marginal utility of income as a justification of progressive taxation weakens, at least by indirection, one of the main supports of the ability principle.

M. Slade Kendrick is another economist who has recently criticized the ability-to-pay principle of taxation.[14] He begins his attack with the statement that, "The usual and indeed the only serious justification of ability to pay is on grounds of sacrifice." In his analysis of the ability theory, he finds defective these various basic assumptions: (1) that the marginal utility of money declines with an increase in its supply, (2) that the payment of taxes imposes a sacrifice upon the payer, and, (3) that the sacrifices arising from the payment of taxes are capable of quantitative expression. "With the support of its underlying theoretical structure removed," Kendrick concludes, "the ability-to-pay theory of taxation breaks down."

The late Henry Simons held the ability-to-pay principle in contempt. He was an ardent advocate of progressive taxation, however, as a means of bringing about greater equality in the distribution of wealth and income. Simons is to be admired for the candor with which he drove straight towards his objective without enlisting the support of the vague ability-to-pay justification.

One of the sessions of the Thirty-Third Annual Conference of the National Tax Association, held at New York City in 1941, was devoted to a reexamination of the concept of ability to pay. In the first paper presented at the session Roy Blough, who believes the principle is a leading criterion of tax justice, nevertheless called attention to many of the practical obstacles which stand in the way of its application. Among the obstacles mentioned are that such services as water and electricity, when provided by government, can best be sold to each consumer for a price based upon consumption; that taxes for financing roads are not adapted to ability to pay; that gross income taxes on business, consumption taxes, and, to a considerable extent, even property taxes canont be related closely to the economic position of the taxpayer; that taxes upon corporations cannot be levied in such a manner that they will fall upon individual stockholders in accordance with their ability; that taxes in harmony with the ability-to-pay principle are ill-adapted to administration by local governmental units; that taxes imposed according to ability to pay might adversely affect production and employment; and that certain nonfiscal objectives of government might be achieved most advantageously through exercise of the taxing power on a basis other than ability to pay.

In reviewing Blough's paper at this session, Professor A. G. Buehler commented upon the elusiveness of the ability concept and upon the fact that no satisfactory yardstick or scale of units had yet been devised to measure marginal utility. He concluded that no suitable measure of ability to pay appeared to be available and that

(Continued on page 24)

7 Smith, *op. cit.*, Vol. II, p. 327.

8 J. R. McCulloch, *A Treatise on the Principles and Practical Influence of Taxation, or the Funding System*, (1863), p. 143-145.

9 1861 Comm. Q. 3540.

10 E. R. A. Seligman, *Progressive Taxation in Theory and Practice*, American Economic Association, 1894), pp. 199, 200.

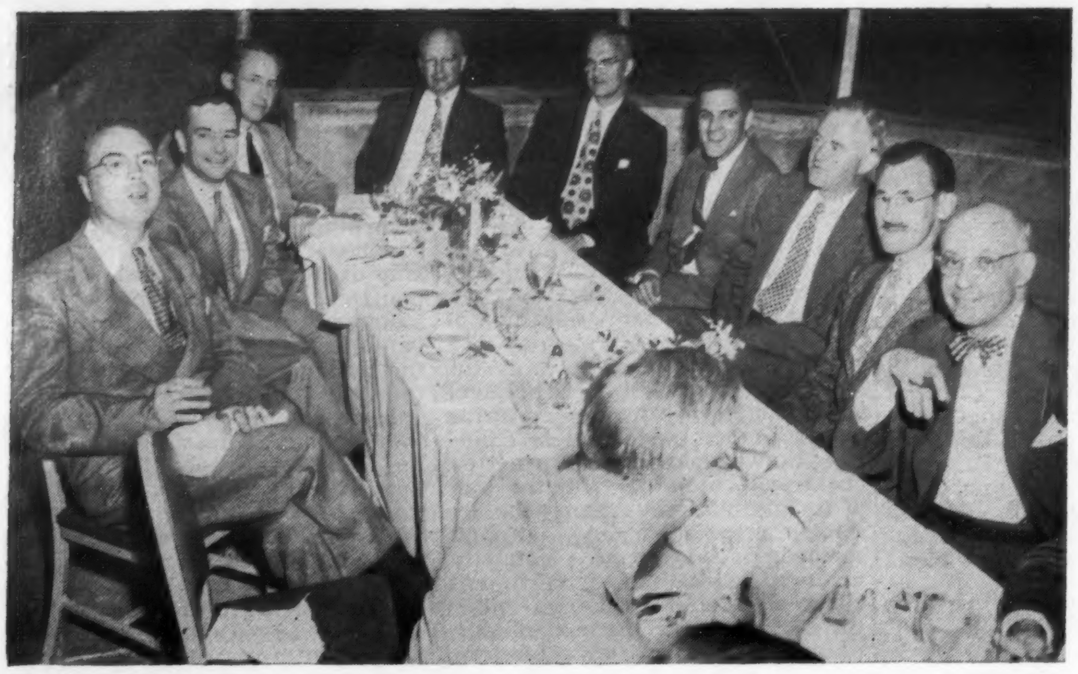
11 H. L. Lutz, "Progressive Taxation in Postwar Tax Plans," *The Tax Review* (Tax Foundation, New York, Dec., 1944), p. 52.

12 "Individual Income Tax Revision," June, 1946, p. 26.

13 E. D. Fagan, "Recent and Contemporary Theories of Progressive Taxation," *Journal of Political Economy*, Vol. XLVI, August 1938, p. 484.

14 M. Slade Kendrick, "The Ability-to-Pay Theory of Taxation," *American Economic Review*, Vol. XXIX, No. 1, March 1939, pp. 92-101.

Bond Club of Cleveland



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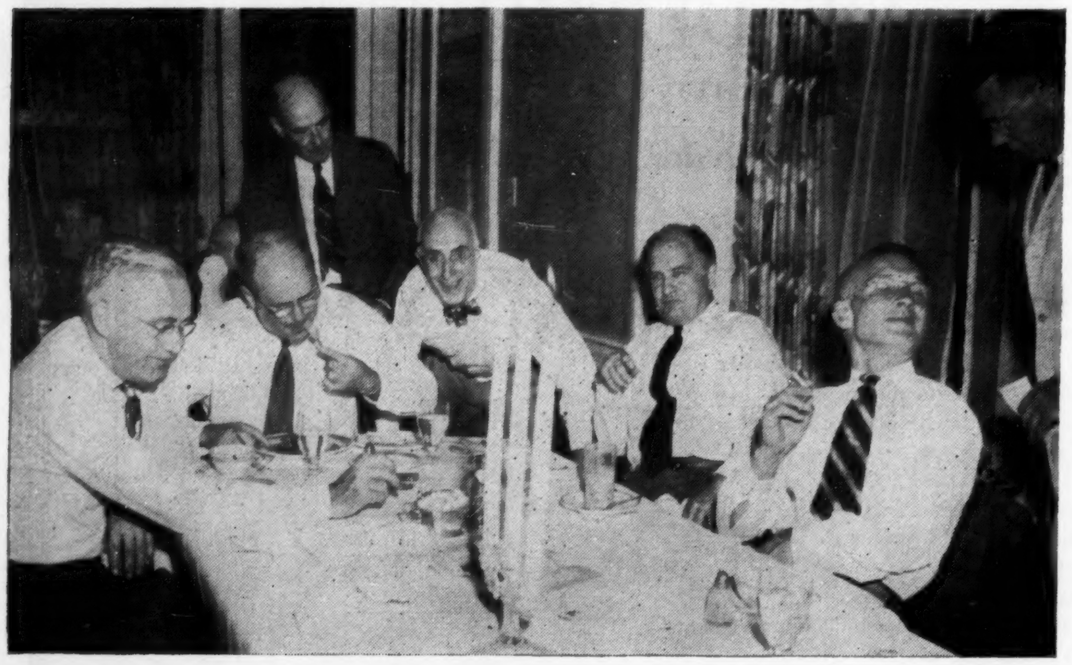

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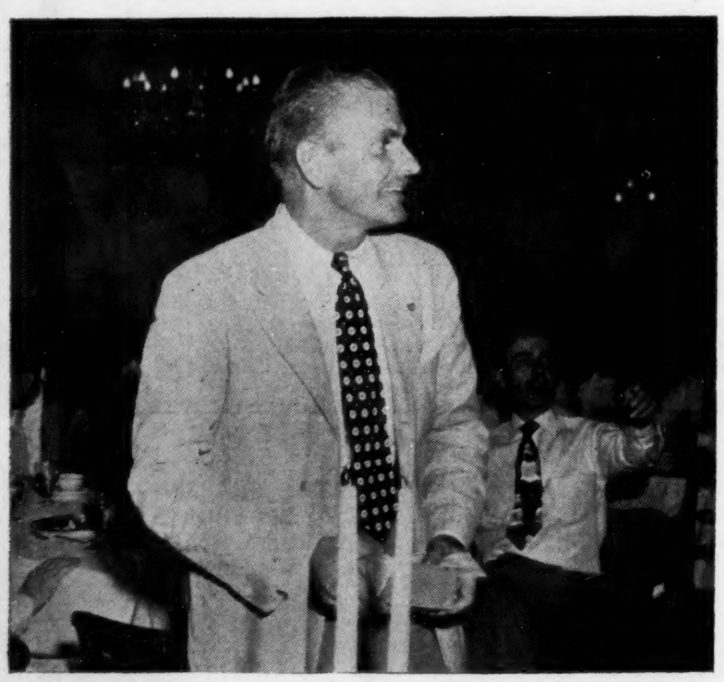
Warren Williams, *Prescott, Hawley, Shepard & Co.;* Robert Shepard, *Prescott, Hawley, Shepard & Co.;* Henry Harris, *Goldman, Sachs & Co.;* Emile Legros, *First Cleveland Corp.;* William Urell, *Barr Brothers & Co., Inc.,* New York City; Clarence Davis, *First Cleveland Corp.*



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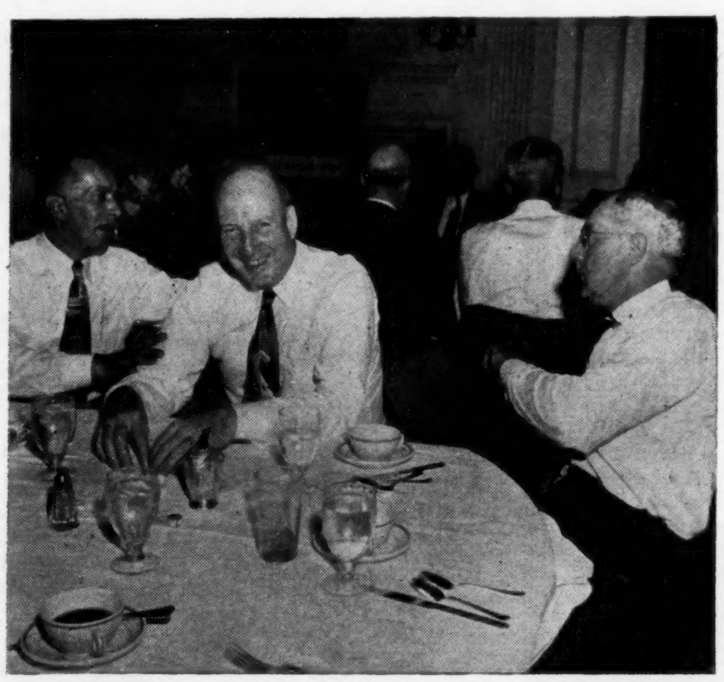

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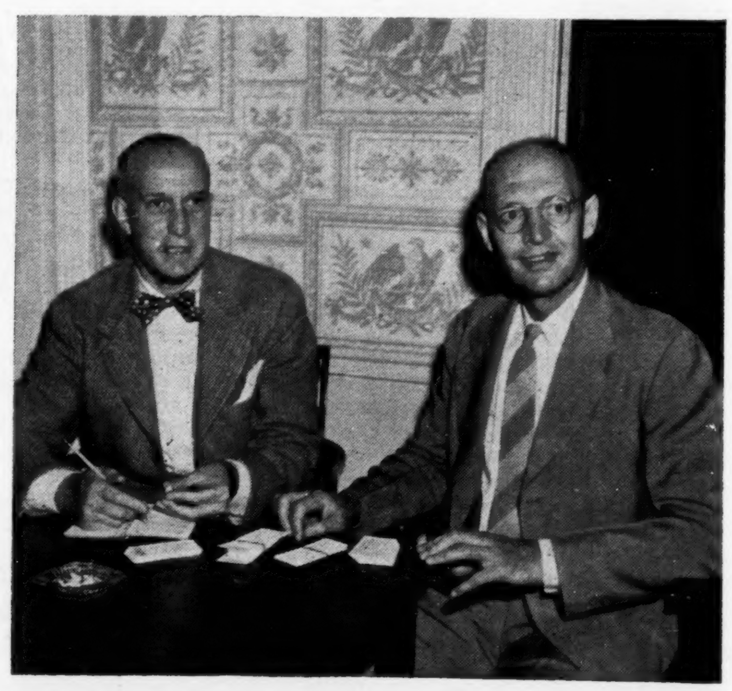

Stanley Eilers, *Hornblower & Weeks;* William Watterson, *Fahey, Clark & Co.*

Holds Outing and Dinner

Howard Detmer, *Detmer & Co.*, Chicago; John McMillan, *Dempsey-Tegeler & Co.*, St. Lous; B. H. Whitbeck, *First Boston Corp.*, New York City; George Martin, *Martin, Burns & Corbett*, Chicago; John S. Clark, *Fahey, Clark & Co.*; Robert Isphording, *Van Lahr, Doll & Isphording*, Cincinnati

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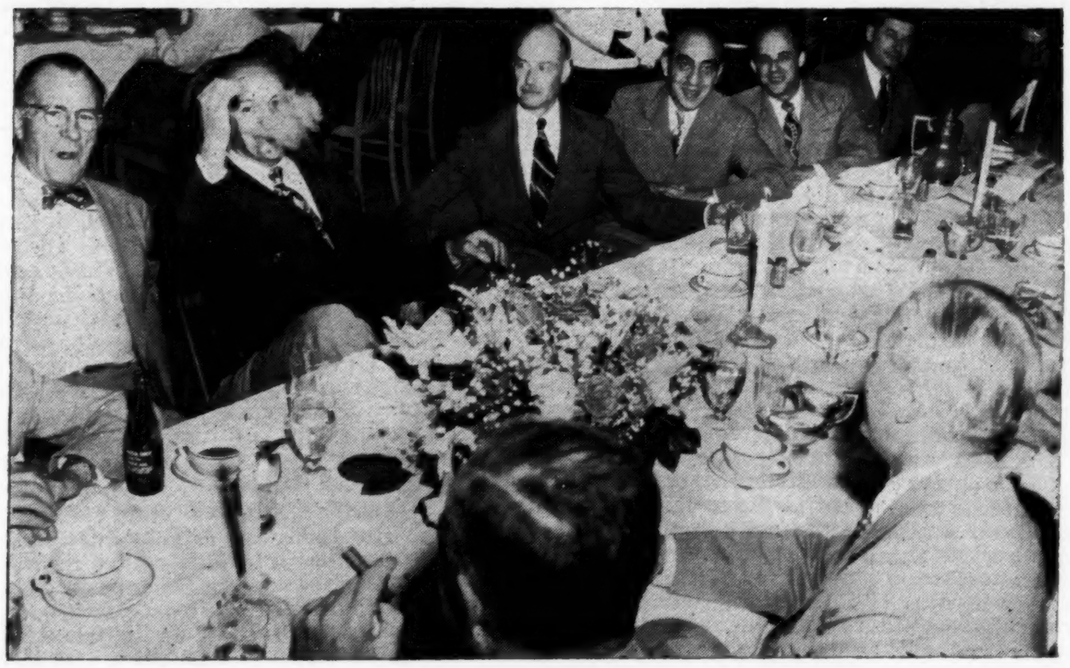

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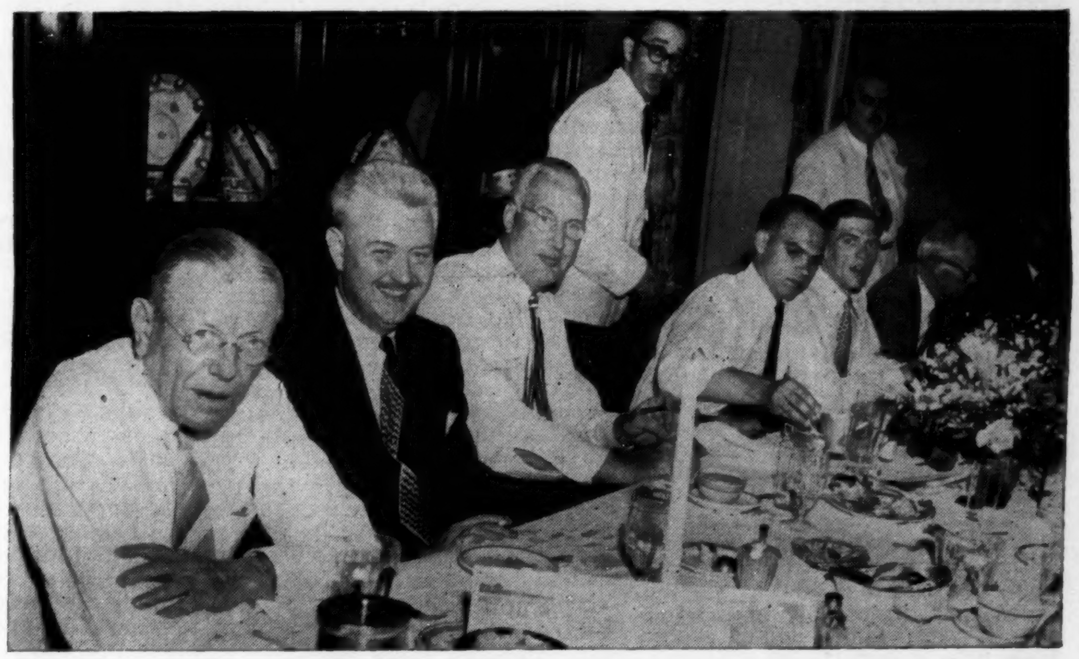

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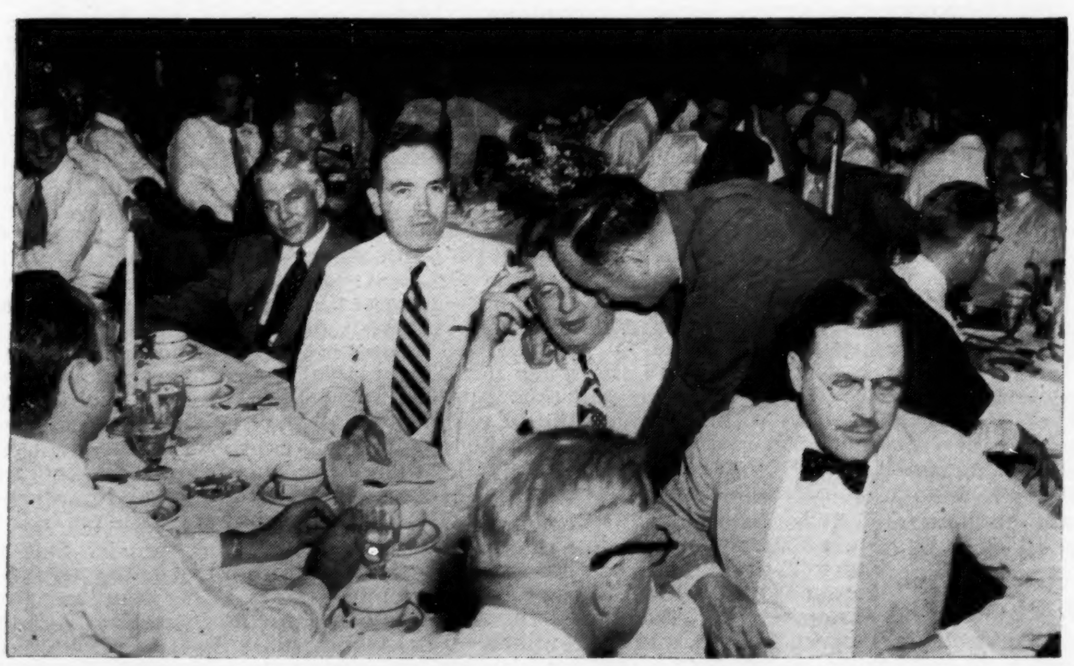

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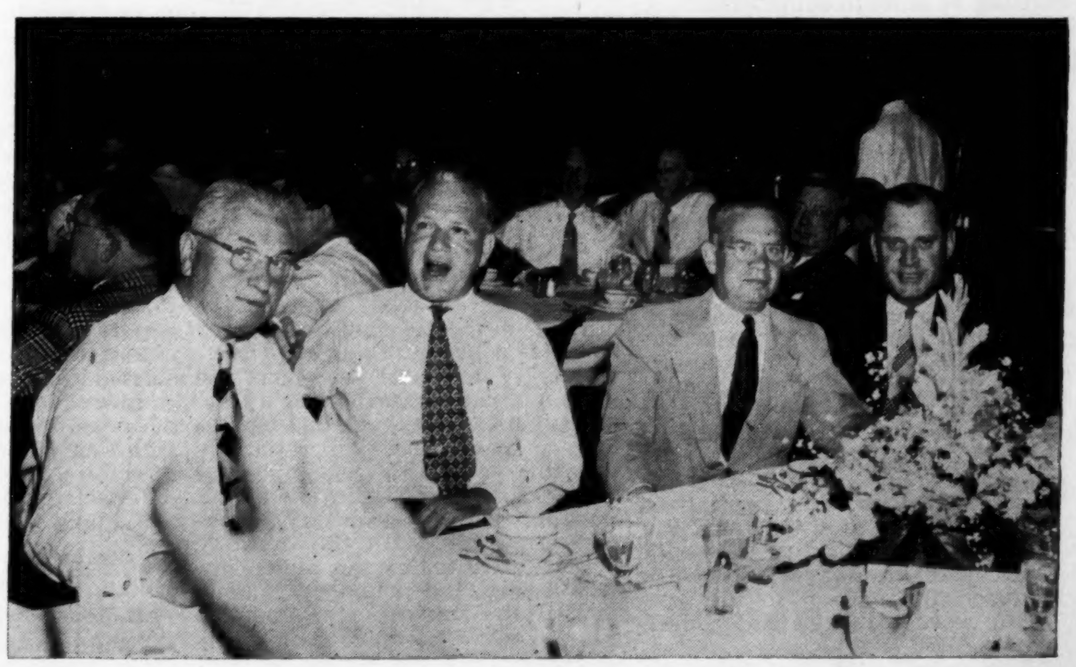

C. B. McDonald, *McDonald & Co.*; E. S. Patterson, *First Central Trust Co.*, Akron; Halan Paige, *First Central Trust Co.*, Akron; Emile Legros, *First Cleveland Corp.*

Ability-to-Pay Taxation Not Compatible With Private Property

(Continued from page 21)

it therefore could not be applied. He hastened to add, however, that a progressive income tax is not necessarily unjust merely because ability to pay cannot be measured. As a discussant at the same session, Kendrick reiterated his opposition to the ability concept and pleaded for prompt acceptance of a social theory of taxation. During the open discussion that followed the principal speakers, Commissioner Henry F. Long of Massachusetts expressed disapproval of the ability concept and challenged its practicability.

One of the most recent criticisms of the ability-to-pay principle is that of Kenneth Field. He says that, however much one looks at the foundation arguments of the ability-to-pay principle, "he must come back to the general conclusion that the academic arguments in favor of the principle are nothing but an attempt to rationalize a predetermined course of action."[15] Field deplores the fact that in the financing of government ". . . we look only at the immediate individual sacrifices and disregard the destruction of initiative, the stagnation of capital formation, the penalizing of thrift, and many other things . . ."[16]

Of the multiplicity of taxes employed by modern governments, the personal net income tax is the one usually considered as being best adapted to the ability-to-pay principle. The difficulty of measuring ability in terms of income has been indicated. A further difficulty arises from the fact that personal net income from business operations, as computed for income tax purposes, is not a pure profit and a tax upon such net income is thus capable of being shifted at least in part. Net income contains elements of cost in the form of interest on capital owned by an individual and used in his business and a sum for the labor or managerial service rendered by the owner in connection with the operation of the enterprise. These costs must be deducted from net income in computing net profit. Although taxes upon net profits cannot be shifted, taxes that affect cost of production are shiftable.

The direction and extent of shifting cannot, of course, be accurately determined. To the extent that shifting occurs, however, the application of the ability principle is correspondingly impaired. For the reason suggested in the case of taxes upon personal net income, taxes upon corporate net income are also susceptible to shifting at least to some extent. A large majority of other types of taxes are shiftable and cannot therefore be adjusted to the ability of those who ultimately bear the burden. The burden of a progressive tax on corporate net income upon individual stockholders is that of a proportional tax, which, of course, does not take into account the varying abilities of the stockholders. The capitalization of certain types of taxes also presents an obstacle to the apportionment of taxes according to ability. For example, taxes upon real estate in excess of the tax burden upon similar investments tend to be capitalized by the amount of the excess by subsequent purchasers. The extent to which taxes are capitalized cannot be estimated with any degree of reliability. Progressive estate taxes, moreover, cannot be adjusted in relation to the economic status of heirs and beneficiaries.

The validity of the ability-to-pay principle in capitalist societies can be tested with reference to the extent of its adoption in private business intercourse. Charges for medical, hospital, and some other services are sometimes roughly related to the wealth of the recipient of the service, but the great bulk of goods and services in private business are sold on a nondiscriminatory basis. As a matter of fact, price discrimination between customers is usually forbidden by law in the case of industries regulated by government. The incongruity of the ability-to-pay principle in the private business sector of a capitalist society is readily apparent. In the sale of electricity, water, and gas, moreover, municipally - owned utilities follow the practice of their privately-owned counterparts in allowing discounts for quantity purchases; yet the larger users are in general more wealthy than the smaller users.

In the exercise of the power of eminent domain, the property rights are protected by the Fifth Amendment in the Federal Constitution which provides that property shall not be taken for public use without just compensation. In the exercise of the police power, property rights are protected by the frequently repeated dictum of the courts that governmental regulations must not be capricious, arbitrary, or discriminatory. Notwithstanding the numerous limitations in Federal and state constitutions upon the taxing power, the Sixteenth Amendment, together with certain court decisions previously mentioned, has given legal sanction to confiscatory taxation. The ability-to-pay doctrine not only fails to afford the essential protection but, if carried to its logical conclusion, itself leads to confiscation. That tax burdens have not yet led to general confiscation, is not adequate protection against such an eventuality. The trend of surtax rates since the first income tax law was adopted in 1913 is pertinent to this point. The maximum surtax rate in the 1913 law was 6%; it reached 75% in the prewar year, 1936; and under the urgent demands for war revenues, it increased to 91% in 1944.

The ability-to-pay doctrine engenders class strife by fostering such ideas as "soak the rich" and "let the other fellow pay." It tends to align the low-income groups against the higher-income groups and promotes the idea among the former of "getting something for nothing." It encourages the undertaking of unjustifiable projects and unduly dignifies the idea of representation without taxation. To take money from a person for public purposes merely because he has money supports the view that the individual exists to serve the state. With reference to property rights, the ability-to-pay principle provides a double standard of morals as between individuals on the one hand and the government on the other.

Substitute for Ability-to-Pay Doctrine

Since property rights no longer have legal protection against confiscatory taxation, we face the dilemma, paradoxical for a private capitalist society, of having to turn to other means of protection. For this reason the principle accepted for the distribution of tax burdens becomes a matter of special importance. In the question of a substitute for the ability-to-pay theory, the primary requisite is that the substitute be compatible with individual property rights.

The benefit principle immediately suggests itself as meeting this requirement. It will be remembered that the benefit theory was the orthodox view until the latter part of the last century. A restricted version of this principle, that is, the principle of special benefits, still has wide acceptance for charges and taxes earmarked for a specific purpose the benefits of which are direct and measurable. The special benefit principle is applicable to a considerable extent to charges for public utility services, license fees, special assessments, the gasoline tax, and social security taxes.

Although the special benefit principle is sound within a limited sphere, it cannot be extended to the numerous taxes and public services that are not adapted to a *quid pro quo* basis of payment. In the first place, taxes not earmarked for a particular service cannot be evaluated with reference to specific benefits. Second, benefits must be appraised with reference to the incidence rather than the initial payment of a tax. Such an appraisal is virtually impossible in the case of most taxes, because the intricacies of the shifting process militate against any accurate determination of the direction and extent of shifting. Finally, the benefits for many governmental services are not clearly discernible and cannot be measured. The conclusion is inescapable, therefore, that no principle is available which affords a basis for apportioning tax burdens with any degree of accuracy for many types of taxes.

It appears, nevertheless, that a liberalized and broadened version of the benefit principle could be used profitably as a general justification for taxes not adapted to the special-benefit principle. This would require consideration of direct and indirect benefits and of immediate and long-run benefits to the taxpayers as a group. Benefits, so far as possible, would be considered with reference to ultimate tax burdens rather than to initial tax payments. No attempt would be made to equate tax burdens to benefits on an individual basis. The general effects of taxes and public services upon private property, however, would be carefully observed at all times to the end that individual property rights might be protected and preserved.

The adoption of a liberalized general-benefit principle would not preclude continuation of well-conceived and efficiently-administered public services; nor would it necessarily require drastic changes in the tax system. All taxpayers derive benefits from public schools, institutions for the care and rehabilitation of physical and mental defectives, public assistance programs, and other social welfare services. The benefits of such services to the taxpayers are, of course, largely indirect and remote, but they may nevertheless justify the taxes imposed to provide them. To a considerable extent the long-run interests of the individual are in harmony with the long-run interests of the social group.

The use of progressive rates for such taxes as those upon incomes and inheritances would not be incompatible with the proposed general-benefit principle. To the extent that progressive taxes are shifted the burden of such taxes as previously mentioned, is that of a proportional tax. It is possible, moreover, that the benefits of some services, such as national defense, increase at more than a proportional rate as the amount of income increases. In any event, it is not necessary under the general-benefit principle that each individual taxpayer receives benefits exactly equal to his tax burden.

Conclusion

Since it is probably not feasible to attempt to restore the proper balance between individual property rights and the taxing power of government by legal devices, it is especially important that a principle be adopted for the apportionment of tax burdens that is compatible with such rights. A broad, general-benefit principle appears to be the logical principle to achieve the end desired. With such a principle as a guide, careful attention would be given at all times to the effects of taxes and public services upon property rights. The benefit principle, specific and general, is compatible with the institution of private property.

[15] Kenneth Field, "Should the Ability-to-Pay Principle be Reexamined," *Taxes*, Vol. 20, No. 11 (1942), pp. 664-667.
[16] Ibid.

The World Bank and European Recovery

(Continued from page 8)

particular imports to Europe which ERP funds may be used to finance or by the use to which those particular imports are put. The test is a much larger and more fundamental one. It is whether the time which ERP buys for Europe will be used by the participating countries to accomplish both the tremendous productive effort and the far-reaching integration of their economies which alone will enable them to support a tolerable standard of living at the end of the ERP period.

I want to emphasize this matter of production. All the short-run problems of Europe, the unstable currencies, the sluggish intra-European trade, the balance of payments deficits, can in the long run be solved only through production — production of more goods, production by more efficient methods and at lower cost, and production of the types of goods which can be sold in markets that, directly or indirectly, provide Europe with its necessary imports.

To accomplish these results, there must be substantial capital investment, not so much in entirely new facilities as in the modernization and expansion of existing facilities. Thus far the European countries have a good record in this respect. Since the war, they have, at considerable immediate sacrifice to the consumption standards of their people, devoted a very high proportion of their national income to capital investment; I believe the figures range from 14 to 20% in the different countries. It is essential, however, that this rate of investment should not be substantially reduced during the ERP period. If ERP financing of essential imports, whether of industrial or consumer goods, enables the recipient countries to continue to divert the necessary high proportion of their national income from consumption to investment, this will, by itself, constitute a considerable contribution to European recovery.

But the total amount of additional investment made possible by ERP is only part of the story. At least equally important is action by the European countries to increase the productivity of existing facilities, through better organization, better production techniques and better labor practices. The extent of the increase in production which can be achieved through these means is not susceptible of accurate statistical analysis, but I am convinced that it is very large. However great its attraction in other fields of human endeavour, in the present day world of economic competition tradition must give way to efficiency. And efficiency must itself be motivated and accompanied by a comparable kind of will and drive which made the American productive effort during the war so amazingly successful.

It is also important that care be taken to encourage, in the export sector, production of those types of goods in which Europe has a competitive advantage in the world market, and particularly in the dollar area. The patterns of trade have changed since prewar days, and many countries outside of Europe have developed the production of goods previously exported by Europe. It is not enough, therefore, for Europe simply to produce additional goods, at cheaper cost, of the same character as it used to produce. If it wishes in the long run not only to retain but to expand its position in world trade, it must also readjust the character of its production.

Need for Western Europe Integration

So much for this matter of production. I would like to say a few words now about what I consider to be the second essential element for success of the ERP—the necessity for a far-reaching integration of the economies of the Western European countries.

I think we would all agree that, for many years, Europe has been suffering from an excess of nationalism. The fact is that technological changes have outrun the development of political institutions. The drive of nationalism during the 18th and 19th centuries, whatever its other drawbacks, was from an economic standpoint a unifying influence, which stimulated and strengthened the expanding technical and economic forces of that era. The growth of national states destroyed the remnants of feudalism which fettered production and trade; it broke down provincial barriers and widened domestic markets in the major European countries; it abolished the petty principalities of Germany and Italy; and its imperialistic extensions, while producing grave political tensions and social injustices, at least helped to promote the expansion of Western technology into undeveloped areas of the world.

But today the effect of nationalism seems to divide rather than to unify the world economy. The techniques of mass production and mass distribution make the market area within Belgium or Sweden, or even within France and the United Kingdom, as inadequate for today's purposes as, say, the 19th Century kingdoms of Saxony or Sardinia were in their day. Moreover, as the idea of nationalism spread out from Western Europe its emphasis changed; it began to be directed less toward the goal of integrating a group of independent or loosely-knit states into an economically sound unit and more toward giving every ethnic group an independent sovereignty, each with its separate economic institutions and policies. Each new state that has been created has sought to fulfill its aspirations by building up within its borders all the appurtenances of a modern economy, and to wall itself off with trade barriers against foreign competition or the impact of international economic crises; meanwhile the more highly developed countries, increasingly hampered in their traditional ways of doing business, have adopted restrictive practices of their own, hoping to reserve at least their inadequate home markets for their own producers.

Atomic scientists tell us that a certain minimum quantity of fissionable material is required for a successful chain reaction. It may also be said that an economic unit must attain a certain "critical size" in order to permit effective use of modern production techniques, a maximum volume of domestic trade and a stable equilibrium in its external economic

relations. And in general, the more highly developed the economic unit is, the greater will be the specialization in production and the larger the internal market required for full efficiency.

The basic validity of the European Recovery Program derives in large part from its recognition of the need for the creation of a larger economic unit within Europe through a closer integration of the various European economies. Perhaps its most encouraging aspect is the determination expressed by the countries participating in the program to achieve such integration by coordinating their import and investment programs, by reducing tariffs and otherwise organizing trade within Europe in more rational fashion and by establishing stable and convertible currencies.

During the past year there has been, I believe, a tremendous advance in the thinking of the people of both Europe and America, in their recognition of the need for the kind of economic integration I have been describing. The response to Secretary Marshall's speech of a year ago was immediate and heartening. The committee of European Economic Cooperation made an excellent diagnosis of the nature of Europe's problems and stated the fixed determination of the participating countries to solve them in concert. During recent months the American commitment for assistance has been strongly confirmed, and the administrative machinery for European cooperation and American help is, I think, being well organized.

Organization for European Economic Cooperation

Perhaps the development which offers most promise for the future is the emergence of the Organization for European Economic Cooperation. This is something new among international agencies and it has the potentiality of becoming a powerful force for unifying Western Europe. I hope and believe that the OEEC will do more than recommend how the pie of ERP assistance shall be sliced. Its more basic function, and one that it is already undertaking to discharge, is to coordinate both the import and investment programs of its member governments, to encourage the development of their export potentialities and to stimulate the revival of intra-European trade. The more strength and influence that the OEEC possesses, and the more it comes to be a truly international body and not merely a grouping of conflicting national claimants, the closer the ERP will come to fulfilling the great hopes it has inspired.

The progress of the past year has been great, but it would be foolhardy to underestimate the difficulties that the ERP is likely to encounter. Recognition in principle by the participating countries of the measures they need to take, and the United States Government's willingness to provide generous financial help, are not enough in themselves to assure success. Many of the policies and measures which should be adopted will be unpalatable; some may conflict with strongly-held ideological concepts in Europe or the United States; and others will involve a reversal of trends, or an overriding of vested interests, which have grown up over many years. Inevitably the first fresh enthusiasm for the Recovery Program will tend to wane, even among its strongest supporters, as unforeseen problems arise and optimistic hopes are not always realized. It will not be easy to keep alive, through four years of hard work and austerity, the high purpose and sense of urgency which have brought about such encouraging action during the past year. It will be hard to keep the administration of the program keen and vigorous, free of entangling red tape and unimaginative routine. It will often be hard, too, to prevent the necessary international negotiations from degenerating into petty haggling.

I believe that it is essential, therefore, that public support, both in Europe and in the United States, be constantly focussed, not upon the particular imports financed by ECA nor upon the allocation of those imports among the recipient nations, but rather upon the comomn purpose of providing a firm economic base for real European unity.

Because the primary role in financing international reconstruction has been assumed for the present by the United States, through ERP and related programs, the role of the Bank may for a time be different from the one envisaged at Bretton Woods; certainly the Bank's financial participation will be dwarfed by that projected for the United States. But there is no conflict between the purposes and operations of ERP and those of the Bank; to the contrary, ERP will enable the Bank to concentrate on financing specific productive projects, and will relieve it from pressure to make loans which are intended, in effect, merely to meet balance of payments deficits. The Bank will continue to employ its available capital and credit for productive loans for which there is a good prospect of repayment, and this policy can be followed the more successfully if Europe's economy is reestablished on a broad and firm base.

Supplementing ERP Financing

It has been assumed from the beginning of the ERP discussions that the Bank will make loans to supplement ERP financing in certain areas. That is certainly our intention. It is impossible, of course, at this stage of the game, to indicate just what loans we expect to make, or just how our operations will mesh with those of ECA. But it seems likely that the first claim on ERP funds, especially in the first year or two of the Program, will have to be for imports of food, fuel, raw materials and other goods necessary to maintain the existing levels of production. I believe, therefore, that the Bank will probably be able to make its most constructive contribution to European recovery by financing selected investment projects, involving permanent additions to the productive capacity of the countries concerned which, in the absence of Bank assistance, might have to be abandoned or postponed.

Some of the Bank's operations outside of Europe may also be tied closely to the ERP. The raising of living standards in underdeveloped countries will not only provide a larger and more secure market for Europe's specialized exports, but will also open cheaper and more abundant sources of raw materials and food. Development of such sources of supply in non-dollar areas will help directly to reduce Europe's need for dollars, and in the long run may help to promote a better equilibrium in world trade.

There are great influences at work in the world today, particularly in Western Europe, to build a more unified and more rational economic structure than existed before the war. The Benelux experiment is one sign, the OEEC is another, and there are many more. Examine each of these efforts closely and you may be disheartened at their slow and uncertain progress. But all the great movements of history, however swift and inevitable they may seem in the light of hindsight are composed of halting steps and compromises. The significant fact is not what may or may not be accomplished this month or next towards creation of a customs union, or formulation of coordinated investment plans, or international stabilization of currencies; it is rather that all these endeavors, faltering as they may still be, manifest an irresistible urge towards the creation of a sounder economic structure.

Success will not be easy to attain and in the nature of things it can never be final or complete. But I hope and believe that when the record of this postwar era comes to be written, the historian's pen will underline, not the difficulties and frustrations which now loom so large in our thinking, but rather the very real progress we are making.

Margin and Credit Curbs—Bane of Industry And the Stock Market

(Continued from page 3)

facilities. Of course, a reduction in margin requirements leads to the possibility of excess speculation in equity securities, but temperance must be expected and what better agency can administer this temperance than the banking institutions themselves. It is admitted that some loose practices were indulged in during the heyday of the stock market in 1928-29, and that these practices brought on some drastic results. But the over-indulgence of restrictions is now having more harmful effects than the lack of temperance in the 1920s.

A Republican Administration in Washington next year might cause necessary legislation to be enacted quickly which would permit changes in margin requirements or it may persuade the Federal Reserve Board to change its attitude on this problem. They may also take measures for additional tax reductions that will further unleash the security markets. We might, therefore, look with anticipation to a more balanced economy in the field of corporate finance. The Macedonian call of industry cries out, "Mr. Dewey—help."

P. O. Huntington V.-P. Of New England Alcohol

BOSTON, MASS. — Paul O. Huntington has been elected vice-president of New England Alcohol Company, it was announced by Dr. L. A. Pratt, President of the firm.

The new vice-president joined New England Alcohol in 1935. He previously had extensive experience in New England as sales manager in the Providence office of Lee Higginson Company, at one time was area representative for a refrigeration equipment manufacturer, and also headed a chain store agency in Boston.

New England Alcohol Company is a subsidiary of Monsanto Chemical Company and maintains an alcohol and dry ice plant at the Everett headquarters of Monsanto's Merrimac Division.

Honor E. R. McCormick

Francis Adams Truslow, President of the New York Curb Exchange, was host to nine former presidents of the Exchange at a luncheon honoring Edward R. McCormick, who celebrated his 70th birthday July 10.

Mr. McCormick, who is still active on the floor of the Curb Exchange, was elected chairman of the Curb Market Association in 1914. He was reelected to that post each year until 1921, when he became the first president of the association. He was president of the Curb Market when it moved indoors from Broad Street to its present home at 86 Trinity Place on June 27, 1921.

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Clarence S. Anderson, Jr., Fred W. Lewis and David Wheeler have become associated with the sales department of R. H. Johnson & Co., 64 Wall Street, New York City.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A more constructive attitude seems to be appearing in the government market despite the fast and sharp price changes that have been taking place on light volume. . . . Periods of weakness have enabled bank investors to accumulate issues they needed although the amounts bought were not as sizable as they wanted, but nevertheless larger than had been expected in some quarters. . . . Savings Bonds sales to institutions took some buyers out of the market, especially in the ineligibles, but many of these institutions are still on the liquidation side, because of other higher income obligations they are taking on. . . .

The eligible obligations are getting most of the attention and this is due in part to the fact that many portfolio managers are putting their houses in order, so that they can take their usual summer vacations. . . . Shortening of maturities continues, but the pace seems to be slowing somewhat with here and there a switch from near-term Treasuries into longs being noted. . . . The fear factor may be lessening. . . .

DILEMMA

One of the problems that seems to be confronting commercial banks is whether to continue the policy of shifting from longs into shorts. . . . With the retention of the $1\frac{1}{8}\%$ certificate rate in May there was a reverse movement into longer-term governments but larger reserve requirements in New York City and Chicago and the new financing by the Treasury in the form of Savings Bonds and the attendant uncertainties started the rush again into near-term government securities. . . . When conditions are confused such as they are now, there is a greater feeling of security in a short-term Treasury obligation, especially when price movements are so important to holders of government securities. . . .

However, there is a point beyond which it is neither prudent nor profitable to carry this quest for liquidity in an attempt to eliminate the risk factor. . . . Many of the deposit institutions appear to be giving considerable thought to this factor, because of their declining positions in Treasury bonds, particularly those due in more than five years. . . .

STATISTICAL POSITION

It is being pointed out that the holdings of governments due in more than five years for New York City member banks have declined sharply in the last year and one-half. . . . For the week ended July 7, the longer eligible Treasury bonds were only 20% of the total government bond holdings of these institutions compared with 41% on April 2, 1947, when the break-down of government bond holdings was first given out by the authorities. . . . From the standpoint of dollar volume the figure of $1,581,000,000 shown by these banks last week was the low point, so far. . . .

Whether this depletion in holdings of longer governments has reached a level where it will be reversed or not is anyone's guess, but it would not be surprising if it should take place, since many of the portfolio managers are giving it very careful study at this time. . . .

LIQUIDITY

Another angle that seems to be very closely related to the decline in the longer-term government bond holdings is the feeling in some quarters that short-term positions are too heavy in some instances. . . . This scramble for liquidity is creating such a demand for near-term Treasuries that the monetary authorities would not be doing a good job if they changed the certificate rate, even if they wanted to. . . . It has been the policy of the Treasury to supply the market with the type of security that it wants and at the present time the demand seems to be for low income short-term governments. . . .

Accordingly, if institutions continue to go short, and keep these rates down, then the certificate rate will most certainly be kept at $1\frac{1}{8}\%$. . . .

MARKET EFFECT

Dwindling holdings of governments due in more than five years seem to be influencing the ideas of quite a number of investors in Treasury obligations, because it has been reported that a much better demand has been around for eligible issues with the higher yields, and this goes for the taxables as well as the partially exempts. . . . The $2\frac{1}{2}$s due 1956/58 and the $2\frac{1}{4}$s due 1956/59 are being accumulated by some institutions that have been heavy in Treasury bills. . . . The $2\frac{3}{4}\%$ due 1960/65 are in demand with some offerings appearing which means that a fairly good two-way market is now being made in this issue. . . .

The $2\frac{1}{2}$s due Sept. 15, 1967/72, have been pushed up and down on light volume by the "professionals" but in spite of the fastness and sharpness of price movements there has been and still is accumulation of this obligation by investors that are regarded in the financial district as "smart buyers." . . .

ROUNDUP

A good-sized order is in the market for the June and December 2s due 1952/54 and reports indicate it originates from the West Coast. . . . The 2s due 1951/53 are also being bought with some interest in evidence for the 2s of 1950/52, which did not have a friend in the market about 10 days ago and had to be taken on by Federal. . . . Banks that a short time ago were sellers of the longer certificates are back in the market taking them on again, apparently whipsawed by the confused conditions.

Wm. R. Staats Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Allen B. Beaumont and John M. Griffin are with William R. Staats Co., 640 South Spring Street, members of the Los Angeles Stock Exchange and other Exchanges.

With Herrick, Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Emery W. Nobles is with Herrick, Waddell & Reed, Inc., 1012 Baltimore Avenue.

As We See It

(Continued from first page)

endow them with magic power of any sort. On the contrary, they appear to us to promise more certain arrival of the day when the piper will demand his pay. It is for this reason that it appears important that the nature of the situation to which these stimulants, if that is what they are, have now been applied be widely and clearly understood.

The Facts

Fortunately factual material suitable for demonstrating the nature of the artificiality of the situation by which we have long been confronted is readily available. Fault may well be found with some of these data, but they will serve the purpose in hand well enough. Take the extended compilations purporting to measure what is now known as "national income" and related phenomena. Many of these figures are "artificial" in the sense that they are compiled in accord with "defined" terms and are designated by titles which can easily mislead the unwary. At some points at least, too, they are hardly more than informed guesses. But their accuracy is sufficient to reveal the basic meaning of the existing situation if the real meaning, rather than some technical conclusions, are sought intelligently.

Suppose we put some of these matters this way. During the two or three years immediately preceding Pearl Harbor, the American people — that is the ordinary man and woman living within the boundaries of this country — had an aggregate annual income varying from about $72.5 billion in 1939 to somewhat more than $95 billion in 1941. Most of this income was in the familiar form of wages and salaries. Not inconsiderable parts of it, however, consisted of the business profits of one-man enterprises or partnerships and of the income of lawyers, doctors and other professional persons. Smaller contributions were made in the form of dividends, interest and government subsidies.

Taxes

Out of this total individuals had to pay around $2.5 billion to $3.3 billion of taxes. Of the remainder they spent from $67.5 billion to over $82 billion annually to meet their daily wants of one kind or another. This left what is defined as saving of $2.7 billion in 1939; $3.7 billion in 1940 and $9.8 billion in 1941. What did these individuals do with their savings during these years? Well, an approximate idea can be obtained from the official figures despite their shortcomings. Of course, there were other kinds of savings, too. Profits retained by corporations were one of the most important. Capital outlay charged to current expense was another. Adding all these in we obtain total saving for the year 1939 at approximately $4 billion. The figure for 1940 was roughly $7 billion and for 1941, something over $13 billion.

Turning now to another side of the situation, we find that the official figures estimate year by year what is known as capital formation — that is to say such items of new construction, production of equipment of various sorts for use in business, and enlargement of the stock of goods carried by business enterprises. From these totals we shall, of course, have to deduct such amounts of capital as were consumed in the production of all kinds of goods and services. This leaves us (after adding net additions to investments abroad) about $2.6 billion in 1939, about $7 billion in 1940 and something over $10 billion in 1941. Comparing these figures with those for savings in the earlier paragraphs, we find that the public invested (in the broader sense) all but $1.4 billion of its savings in 1939, a little more than its savings in 1940 and some $3 billion less than its savings in 1941. What was left of savings was promptly swallowed up by deficit operations by the Government, which for this period reached a maximum of about $3 billion in 1941.

The War Period

Now, what happened during the war? We find that savings rose by 1944 to upward of $41 billion; private capital formation (roughly investment in the broader sense) in 1944 was about seven and a quarter billion less than nothing, and deficit operations of the Government reached $51 billion. Put all this into ordinary language and we have a statement to the effect that while phenomenal "savings" were announced from year to year during the war, the fact is that such "savings" were far more than offset by the wastes of war. Taking the war years from 1942 to 1945 inclusive, the deficit in these accounts ran well over $40 billion in the aggregate.

The counterpart of all this is easily discernible in other pertinent statistics. At the end of December, 1941, approximately Pearl Harbor Day, a year or more after we had undertaken the role of arsenal of democracy, the public (excluding banks) had something less than $9 billion in currency in its possession; at the end of 1945 the figure was $25.5 billion. Demand deposits during the same period of years rose from $28 to $60 billion. Time deposits were up from $27 billion to $48 billion. Holdings of governments rose from $17.5 to $88 billion. Thus we may say (upon the assumption that government securities could be liquidated without appreciable loss, which by and large was probably true) that facing accumulated drain of inventories, neglected maintenance and depreciation on peacetime facilities, and long pent-up consumer demand, business and the individual stood with some $221 billion of purchasing power in their hands at the end of the war. This stupendous figure compares with $81 billion at the time of Pearl Harbor.

The Current Picture

If there ever was an "artificial situation," this would seem to be one of them. During the years that have elapsed since the close of the war, some basic alterations of this state of affairs has occurred, although perhaps not as much as might be supposed. Business has been busy catching up on capital formation; inventories have been greatly enlarged; in some lines at least backlogs of consumer demand appear to have been reduced or eliminated; and prices have risen substantially. But the public still holds enormous liquid assets, including currency and bank deposits — enormous even after adjustment for price changes that have meanwhile taken place. Further artificial props have been placed under businesss but they are by no means the only ones under it.

Problems in Federal, State and City Tax Coordination

(Continued from first page)

report of the Bureau of the Census entitled "Historical Review of State and Local Government Finances." A summary of general expenditures, exclusive of debt retirement, indicates a growth at the state level from $72 million in 1890 to $5,558 million in 1942 and to $6,258 million in 1946, including ever greater amounts of aid to local governments. The similar expenditures of local governments advanced from $488 million in 1890 to $6,315 million in 1942, including funds received from other governments, or at a slower rate. The expenditures of cities with populations over 25,000 rose from $2,386 million in 1942 to $2,667 million in 1946, or at a little slower pace than those of the states. Between 1940 and 1946, the expenditures of the cities with populations above 100,000 increased from $1,996 million to $2,135 million, also more slowly than those of the states.

On the revenue side, state taxes mounted from $96 million in 1890, including $69 million in property taxes, or 71.8% of the total, to $3,014 million in 1946, including $253 million in property taxes, or only 4.2% of the total. Local taxes totalled $405 million in 1890, of which $374 million, or 92.3% were derived from property, and $5,283 million in 1946, of which $4,904 million, or 92.8% were obtained from property. In the latter year, however, only 59.1% of the local general revenues came from property taxes as compared with 82.2% in 1890. Other local tax revenues climbed from $31 million in 1890 to $379 million in 1946.

Among the cities with populations over 25,000, taxes rose from $1,913 million in 1942, including $1,668 million in property taxes, or 87.1% of the total, to $2,063 million in 1946, including property taxes of $1,762 million, or 85.4%. Other tax revenues increased somewhat faster from $247 million to $301 million. Among the cities with populations over 100,000, tax collections grew from $1,503 million in 1940, including $1,297 million in property taxes, or 86.2%, to $1,675 million in 1946, including $1,413 million in property taxes, or 84.3%. Other taxes rose from $206 million in 1940 to $262 million in 1946.

The states received only $3 million in aid from other governments in 1902. By 1946 this aid was $767 million, after a decline during the war. Local governments received only $58 million in grants and shared taxes in 1902, but by 1946, after a long-continued expansion, such aid approximated $2,125 million. The aid flowing to cities over 25,000 in population grew from $462 million in 1942 to $542 million in 1946, that going to cities over 100,000 in population from $382 million to $441 million, and that to all other local governments from $1,368 million to $1,583 million.

The Census data, which merit careful study, thus reveal that total state expenditures have increased faster than total local expenditures, particularly if we include aid as an expenditure only of the government extending it; that the states have generally financed their needs less and less with property taxes and more and more by income, sales and other taxes; that property taxation is still the great source of local tax revenues, even among the larger cities, where it has been declining in importance while its yield has been increasing again in general; that other taxes are providing cities revenues increasing in amount and importance; and that cities and other local governments have been obtaining ever larger and more important state aid through grants and shared taxes.

The Need for Tax Coordination

Observers of the financial problems and trends of our cities have repeatedly emphasized the seriousness of their financial situation, and it is not necessary here to dwell upon such familiar facts as the high and increasing per capita cost of city government, the necessity of imposing taxes to finance a large part of the costs of education and other services required by the states, the financial difficulties resulting from the tendency for those drawing a living from cities to establish outside residences while demanding both directly and indirectly many costly city services, the problems of urban growth, maturity, and blight, the rather restricted sources of local tax revenues, even under optimum conditions, the fact that urban taxpayers may have to contribute funds in excess of those the cities receive back in aid to the state treasuries to help finance public services among the rural and other areas, and numerous other financial and social phenomena that have helped produce the financial predicaments of many cities, including their own inadequate planning and mismanagement. Nor is it necessary here to speak at length of the financial problems of the states and other local governments and the growing need for the coordination of revenue systems as the costs of government mount and as new taxes are imposed in this critical postwar transition period.

To illustrate the greater need for a sound approach to the problems of tax coordination, which are one phase of the broader problems of governmental coordination, let me refer briefly to the situation in Pennsylvania. Here the State, as elsewhere, has been beseiged with demands to furnish more funds to overcome the educational crisis and otherwise aid local governments to meet problems of state and local concern. Many demands are also being presented to expend state expenditures for public health and hospitals, highways, and other services and to provide a substantial bonus for war veterans. One function, to which the local governments in other states usually contribute, or public assistance, is carried on by the state with Federal aid. Taxes are being raised at both the state and local levels to finance the rising costs of government, and the legislature has gone so far as to authorize local governments generally to impose such taxes as may be but are not levied by the state.

This extreme measure is the result of a number of factors. Similar authority was given to Philadelphia in 1932, when the economic depression finally brought to a head, as property tax revenues slumped with a rising delinquency and the city debt mounted beyond the legal limits, the long developing financial problems of the city. After resorting to a short-lived sales tax, the city introduced an income tax which has been collected with sufficient success, despite the inadequacy of an administration honeycombed with political abuses, that substantial revenues have been raised, real estate has been spared much heavier taxation, the budget has been balanced, the debt has been reduced, and a way has been found to draw contributions from nonresidents who benefit from the opportunities of an urban center.

In Pennsylvania there is a rather strong home-rule sentiment. The state government does not now levy a property tax, nor does it concern itself much about the generally unsatisfactory local administration of property taxation. When the 1947 General Assembly was confronted with demands for more generous educational expenditures and more funds for other services as well as a bonus to war veterans, the Governor bluntly told local governments that while the state would bear some of the increase in the costs of public services, they would have to develop new sources of revenue and share in the growing expenses of government. Apparently the Governor had become convinced that the local governments had been depending too much upon state aid and that while property taxation had been carried too far, the local units could, if given the power, effectively and satisfactorily raise new revenues from other taxes to

finance larger budgets and give relief to property owners.[1] The experience of Philadelphia with the income tax had also created the conviction in the minds of many persons that the larger cities, at least, could utilize an income tax to advantage.

The reactions of the 5,200 local units of government and the taxpayers to the broad local taxing authority granted by Act 481 are most interesting. A tabulation by the Pennsylvania State Chamber of Commerce, which is not yet complete, shows that 284 localities, including 32 cities, 115 boroughs, 14 towns and townships, and 123 school districts, have already adopted new taxes and that many more are considering them. Among the 397 new taxes adopted are 111 amusement taxes, 72 severance taxes, 55 income taxes, 18 mercantile license taxes based on sales, 41 per capita taxes and 100 other taxes. The survey does not report changes in property taxation in these and other communities, since only new types of taxes are covered. Some communities, of course, are raising property taxes to obtain more revenue. All of the legal problems presented by Act 481 have not been settled and it is not yet clear how far local governments operating in the same area may go in imposing overlapping taxes.

Taxpayers around the state are frequently grumbling about the crop of new taxes, some of which seem to fall upon coal mining and other industries with rather startling results. On the other hand, many school districts and other local units complain that the authority to impose new taxes is not particularly helpful to them because of a dearth of taxable objects. Those who defend the new law argue that in general local governments will exercise their greater taxing powers widely and well and that only minor revisions may be required. Those who attack it contend that it is bound to lead to tax chaos and gross inequalities, that it will not solve the problems of local finance, and that drastic revision, to limit new local taxes to carefully selected objects, or outright repeal is necessary, and that at most the state has only gained a short breathing spell from the continued demands for more aid to the local governments. If the state should adopt some type of personal income tax, a sales tax, an amusement tax, or other tax widely used by local governments they would immediately lose a source of revenue unless some adjustment were made to prevent it.

Aside from the provision that the new local income taxes must allow credits to nonresidents for the payment of income taxes to other Pennsylvania localities, except Philadelphia, we seem to have made no specific provision for the coordination of local taxes with each other. If various coterminous units cannot pile identical taxes on the same objects, the severance taxes on coal mining show that under certain circumstances, at least, by taxing various processes in production and distribution, taxes on these objects may indirectly be pyramided. We do have a separation of revenue sources among state and local governments in Pennsylvania, but the extent of separation is subject to the will of the legislature and may be changed at any time.

New Local Taxing Powers

The action of Pennsylvania in broadening the taxing powers of local units is an extreme example which other states, fortunately, do not appear to be following. There has been a tendency, however, for the states to permit cities and other localities to tax new objects. The Tax Institute has reported that enabling legislation was passed by 13 states, in addition to Pennsylvania, in 1947.[2] Maryland authorized Baltimore to impose, with several exceptions that included income, gasoline, death, and certain other taxes, any taxes that the state could impose. Cities, incorporated towns and counties were also authorized to impose admission taxes which are to be collected by the State Comptroller, at the expense of the locality.

New York sanctioned the local use of selected new taxes. Counties may now collect a retail sales tax at a rate of 2%, a 5% tax on admissions, a 3% tax on food sales in so-called luxury restaurants, a use tax not exceeding $10 on automobiles and trucks, and retail liquor licenses at rates not over one-fourth of the state liquor licenses. Cities with populations from 100,000 to 1,000,000 may impose any of these taxes not used by the county in which they are located and may tax certain business receipts at a rate of 1/10%.

Illinois, following the earlier example of California, has allowed cities, if the voters approve, to tax retail sales at a rate not to exceed 0.5%. City sales taxes in Illinois, however, unlike those in California, are to be collected by the state, which will deduct 3% of the receipts to cover the costs of administration. Retail sales or consumers' taxes are also permitted to certain New Jersey cities, to cities in Oklahoma in time of emergency, and to Boise, Idaho.

Minnesota has permitted Minneapolis to levy an income tax, if the voters are willing, a privilege which I am told has been extended to St. Louis recently, without the necessity of a referendum. In Ohio the local income taxes appear to have been levied without specific state action on the assumption that the constitution does not prohibit them. Various admissions, license, occupation and other local taxes were allowed in some of the states by 1947 legislation. Wisconsin, however, moved in the opposite direction and provided last year that local income taxes could not be imposed.

When the 1947 legislation is related to the preceding legislation in California and other states, the tendency to broaden the taxing powers of cities and other local governments becomes quite evident. Many local taxes have been imposed upon income, sales, gasoline, alcohol, hotels, admissions, utility receipts, local occupations and other objects. We now have 60 local income taxes of which I have heard and about 125 city sales taxes, if we include here the Pennsylvania mercantile license taxes that fall upon sales. As local taxes multiply, sometimes more or less duplicating state or Federal taxes or both, the tax coordination problem becomes more complex. The greater diversity of taxes, moreover, merely dips increasingly into many of the same pockets that are already being exploited for revenue.

Property Taxation as a City Revenue

The tendency of the states to turn property taxation over to their local subdivisions opens up greater opportunities, within reasonable limits, for the local development of this ancient revenue. During the war and postwar periods real estate values have increased tremendously in the markets. Property tax delinquency has failed to very low levels and property owners generally appear to be in relatively favorable positions, contrasting sharply to their precarious positions during the depressed '30s. In a period of great national prosperity, when incomes, various commodities, and other objects are being taxed at high rates and those who pay these high taxes are crying for relief, it seems to be appropriate to survey the real estate tax situation and to inquire if more revenue could not now fairly be obtained from local taxes on real estate. Many communities, indeed, are raising assessments and are securing increased property taxes. Where larger property tax contributions can be collected without injurious economic effects to finance desirable expenditures and the property tax load will not be out of line with the taxes on other objects, such increased property taxes would appear to be warranted.

Cities should be in a position to maintain property tax administration at a reasonably satisfactory level by securing an adequate personnel and following the proper techniques. Every student of property taxation is aware that it commonly suffers from grave weaknesses which apparently cannot be completely overcome. Our local governments can generally do a much better job of property tax administration, however, particularly if the states will aid them, where this is necessary. The resort to income, sales and other taxes locally may seem to lessen the need for scientific property tax administration, but this tax is still the prominent source of local revenue and one may doubt if it can be replaced by other local taxes. The experience of Philadelphia with her income tax and that of some of our cities with sales taxes makes one wonder if these taxes are being and are likely to be administered with reasonable efficiency Of course the distribution of burdens varies among the different taxes and if cities may obtain added revenues from other taxes it may be considered politically and otherwise desirable to impose them. If property tax administration is not improved, the taxes on real estate may further disintegrate. For practical reasons, if for no other, it is necessary for our cities and other local governments to seek ways and means to strengthen the administration of their property taxes, which will apperently be required, in general, to provide increasing, rather than decreasing, revenues.

The Merits of City Income and Sales Taxes

Much is to be said for financing local services with local revenues, to the extent that this is feasible. In their home communities the citizens are closest to their governments and may do much for themselves in the way they prefer. If state aid is received, it is only natural that state controls will be attached. Broad problems of governmental coordination are therefore suggested by any study of state and local revenues.

A growing number of cities have adopted income and sales taxes in their search for additional revenues to finance rising expenditures because of the demands from property owners that objects other than real estate should be taxed and the serious difficulties encountered in expanding property tax revenues at an adequate pace. Income and sales taxes permit cities to reach the suburbanites and others who come to the city for economic or other reasons and whose demands for public services increase city expenses. A low rate tax on income seems to have little, if any, effect on the willingness of nonresidents to carry on their activities within a city and a low rate sales tax may, under favorable circumstances in popular shopping centers, have little tendency to divert shoppers to other markets. To be sure, substantial differences in tax loads among localities would, in time, tend to drive the taxpayers with mobility to more favorable locations.

If an income tax can be withheld largely at the source in urban centers, it will raise substantial revenues rather easily and it may be preferred by the retailers to a sales tax because they feel that compliance is easier and that patronage will not be lost. Labor unions and other groups may also prefer an income tax to a sales tax because they consider it to be less regressive in its burdens and lighter on the lower incomes. A sales tax may be preferred, on the other hand, because the locality thinks it will be less difficult to administer, will distribute its burdens differently, will produce more revenue, or will be more popular.

The revenue possibilities of both income and sales taxes may be attractive to those cities that can enforce them fairly effectively, but they are limited, at best, and cannot be looked to as panaceas for the distressing financial problems of many cities. The relief they may provide to real estate owners, moreover, may be only temporary because local expenditures continue to rise and other sources of revenue are being heavily hit by state and perhaps Federal taxes.

If a considerable number of cities and other local governments in a state resort to income or sales taxes, the time will soon come when it will probably be sensible for the state to tax income or sales, if it is not already doing so, or to adjust its taxes so that more revenue can be shunted to the localities, or to increase its grants. A multitude of local income or sales taxes could easily cause tax chaos as the taxes overlap and also cover ground being cultivated by the state and Federal governments. To promote equality, convenience and the maximum local revenues, it would appear desirable, under such conditions, to have the state tax commission administer an income or sales tax uniformly throughout the state.

Lacking a uniform state tax which provides funds for the benefit of the local treasuries, uniformity could be increased among the taxing localities by defining income or sales, as the case may be, according to a uniform pattern. The California city sales taxes are thus based, to a large extent, upon sales as defined for purposes of state taxation. However, local exemptions vary somewhat, and it may be very difficult, if not impossible, to induce a great number of taxing jurisdictions to act uniformly. Variations in the bases of taxation are likely to be exceedingly vexatious to taxpayers doing business or carrying on other economic activity over wide areas, and even if taxes are uniform, numerous reports must be filed. In income taxation there is a tendency to follow, in general, the Federal definition of taxable income, although local differences in tax administration may produce different interpretations of taxable income. Such devices as tax credits, use or personal property taxes, and other allowances may help equalize taxation among taxing jurisdictions, at a cost of added complications. Income is often highly difficult to define, however, and the determination and allocation of sales for taxation may be a most perplexing process.

The problems of local enforcement are likely to be discouraging for local income and sales taxes. Evasion is likely to flourish and taxes can often be avoided by those with mobility of action. It is unfair to the taxpayers who are easily trapped to single them out for sacrifices that their neighbors may legally or illegally escape because they are harder to catch. It may be argued that the problems of local and state income and sales taxation differ largely in degree, but the dice seem to be loaded inevitably against local governments because of the small area in which they operate and because the bases of taxation are so difficult to determine that only the states and the largest localities have the resources to secure adequate administrative staffs of technically qualified persons. While certain local governments, under favorable conditions, can obtain substantial revenues from income and sales taxes, it does not follow, therefore, that cities generally can exploit these revenue sources to advantage.

How Shall We Coordinate State and Local Government Finances?

I see no easy way out of the complex problems of local, state and Federal tax coordination. No single remedy is adequate and the problems must be attacked from various angles and with various methods adapted to particular situations and to the requirements of the changing times. Our governments must have adequate revenues if they are to survive, and the taxpayers, on the other hand, are entitled to the most equitable and convenient taxes that can be devised. Tax uniformity is not an end in itself, however, and popular government, with all its faults, is preferable to a highly centralized public establishment with assumed, but questionable, efficiency. It has long been known that our local and other governments could be reorganized with many gains to the community. On the other hand, the state and Federal governments are not paragons of perfection, and if all the local governments were abolished we would still have to cope with many perplexing problems.

As community boundaries broaden, public functions become increasingly of state-wide concern. Because local revenue resources are relatively limited in comparison with those of the states, as the costs of government rise a greater share will apparently have to be borne by the state. The proper allocation of public functions should be determined with respect to the community of interest, the availability of revenue resources, the desirability of preserving local democracy, and other relevant factors.

It would appear to be desirable, as previously stated, for the states to relinquish property taxation for the benefit of the localities while assisting them in the assessment of property. Where local governments can readily collect productive, equitable and convenient taxes they should be encouraged to develop these revenue sources. Certain local licenses, amusement taxes and other revenues may thus be found to be practicable and desirable. Under favorable conditions, income and sales taxes may also be administered by cities with considerable success. In the interests of tax equity convenience and productivity, however, it will probably be preferable to have the state administer income and sales taxes and perhaps also amusement taxes if any great number of localities enter the field. It seems likely that the recent crop of local income, sales and other taxes may be a transition phenomenon that will pass as administration over the entire state area by the state appears to be plainly superior.

Thus we return to the question, what is the proper scope of state and local action? Some of the answers are clear, others are in doubt. It is to be hoped that we will profit by the lessons of experience and that we will seek sound and fundamental approaches to the problems of governmental and fiscal coordination, rejecting patchwork expedients which can promise little more than temporary relief from chronic ailments.

[1]See H. F. Alderfer, "Act 481—A Challenge to Local Governments," Pennsylvania Department of Internal Affairs, "Monthly Bulletin," April, 1948, pp. 20-25.

[2]See Tax Institute. "Tax Policy," December, 1947, "City Tax Legislation in 1947."

What to Do About Gold

(Continued from first page)

Warren, who were so successful in advising the late President Roosevelt, never took the pains to advise themselves properly on the economic nature of gold. They took it for granted that gold is nothing much else but the denominator in which all values are measured and overlooked both: the huge volume of current transactions that does not depend directly on gold, and the huge demand for gold that has no direct connection with current transactions. Money managers, as they were, ready to manipulate the gold standard, they have been fascinated by the glitter of gold to the extent of vastly overrating its direct monetary importance. This mistake (among other mistakes, economic and ethical), soon became apparent, but the underlying error still pervades the United States Treasury. It is the scarcely comprehensible error of considering every bit of gold held by the general public as a part of the monetary base—ignoring its primary commodity character.

That gold is primarily a commodity, subject to the autonomous rules of the market place, is indicated by the fact, too, that other commodities can perform the same monetary role. Of course, gold happens to be fitted as no other thing is for that function. (The reasons should be evident to all except crackpots and totalitarians: reasons of a practical, common-sense nature, due to specific physical qualities of the yellow metal and the very special supply-demand conditions which dominate its market as a commodity.) Central Europe's cigarette standard after the last war is one example proving that there is virtually no object that could not serve, temporarily at least, as "final money"—as long as its quantity is not unlimited. The list of the things which did so at one time or another ranges from huge rocks in Polynesia to bottled beer in England's bygone days, to say nothing of promises to pay—convertible into other promises to pay!—which do the trick a little longer than just "temporarily."

The Pseudo-Rationality of American Gold Policy

The money managers' abhorrence of "hard money"—to a genuine gold standard—as if the commodity value of the coin would despoil the innocence of the currency, is understandable. But that does not explain their clinging to a hoard of hard metal, a treasure-mindedness in contradiction to their own manipulating concepts.

If gold is worthless, or its value merely imaginary, as the paper money worshippers want us to believe, then why hoard two-thirds of the world's visible reserve? Why lock it up as though it were a dangerous character? Since the volume of currency and bank credit no longer is regulated by the size of the gold reserve, it makes no difference whether we keep $23 billion locked up as at present or only a fraction of that amount. Internal "coverage" considerations are unessential in a financial system in which government bonds constitute the true credit base, with gold reserve requirements a sheer facade, changeable on short notice. Nor should foreign exchange or (what is the same) balance of payments considerations be impelling.

When a country is exposed to a run of foreign creditors and/or of its own citizens, as is almost every country in Europe at present, there is some semblance of sense in trying to protect the gold reserve by police measures against private hoarding and exporting. (The "sense" is more apparent than real, because the refusal to pay in gold tends to intensify the run.) But who is making a run on the dollar when our balance of payments produces fantastic surpluses, and when the outer world is trying frantically to acquire dollars—as the nearest substitute for gold? There is no semblance of rational justification, under such circumstances, for a governmental gold hoarding policy the like of which has been practiced only, and on microscopic scales in comparison, by oriental despots.

If the job of the huge gold reserve is "to back" the dollar abroad, it certainly does not live up to its duty. An American gold coin commands in the markets of the world premiums, as against a dollar note, as high as 100 to 200% over and above its face value. Evidently, we do not use the gold reserve for backing the (paper) dollar, i.e., to support its parity by selling gold whenever its dollar price rises in the open market. It could not take very large amounts to beat down the premium on gold coins and to enforce the official parity of $35 per ounce. But our policy-makers insist on nominally fixed exchange rates — the appurtenances of a gold standard—while they refuse to budge from their golden cushion and let the dollar depreciate *de facto* against gold.

That is one of the paradoxical things about managed money: it sits on the gold reserve with an awesome fear of losing a particle of it, while under the automatic gold standard the reserves are applied freely whenever needed to protect the foreign exchange value of the currency. In other words, the old-fashioned gold standard has no particular love for gold, but merely uses it as a means to the end of stability, while the money managers, who are opposed to the "tyranny" of gold, are themselves tyrannized by a hoarding instinct worthy of medieval peasants.

International Monetary Planning

The true motivation of the U. S. Government's gold hoarding appears to be a mystery. No reason has been given, unless the recent statement of the Treasury Chief, Mr. Snyder, that gold must be kept out of circulation because there is not enough of it to go around, should be taken for more than a joke.

Lacking direct clarification, the Bretton Woods program may offer some clue to the riddle. The original Keynesian idea of Bretton Woods was to create international exchange stability by supporting with virtually unlimited American funds (Keynes' first instalment was to be $35 billion) the tottering currencies of the world. Dehydrated as the Bretton Woods institutions are in this respect, the basic idea is realized with the aid of Export-Import Bank credits, Anglo-American loans, Truman Doctrines, Marshall Plans, and what have you. (So-called exchange stabilization "loans" — in gold — to Europe are soon to follow the Marshall Plan, according to hints from Washington.) Now then, supporting indefinitely all the genuinely bankrupt balances of payments might mean a great drain on our gold reserve, and the planners may be preparing for just that emergency by piling up as much gold as they can lay hands on.

If that is the motive behind their refusal to permit free gold circulation, the fallacy should be obvious. What the bankrupt nations need is not gold but goods. Gold donated to them soon returns in payment for our exports.

There is another implication in the statutes of the International Monetary Fund which directly affects our domestic gold policy. It is the axiomatic principle laid down that "multiple currencies," or multiple exchange rates for the same currency, are to be outlawed. This is directed against the "Schachtian" practices which have brought, even before the war, financial disrepute on Hitlerism. Therefore, free gold circulation is to be outlawed, since the coins might command a price different from the official rate, and a fluctuating one at that.

In fact, however, the principle of monetary uniformity is violated by virtually every country adhering to Bretton Woods. Almost every currency has at least one kind of illegal (black market) or extra-legal price in addition to the official. Where complex exchange restrictions prevail — and they are mandatory for currencies which are not backed by genuine confidence and which have to check the rampant "capital flight" to qualify for support from the Fund—those restrictions necessarily lead to a multiplicity of exchange values for the same money. Britain, as an example, has established by bilateral practices, barter agreements and Gestapo methods of exchange control, a defacto system of multiple currencies. Most types of her non-official exchange rates are illegal; others are tolerated surreptitiously by the Bank of England. The Fund objects only when, as in the case of France, the respective governments go beyond toleration and publicly recognize several values for their money, or several gold parities.

How meaningless the Fund's principle of a stable and uniform gold price (for each currency) has become, is well illustrated by its stand on the question of gold mine subsidies. When last winter Canada proposed a bonus of $7 per ounce to foster additional gold output, the Fund declared it a contravention of the rule of stable exchange rates. But when the Dominion produced a revised scheme, substituting a non-uniform subsidy for the previous, the Fund acquiesced. (The Canadian "uniform" subsidy scheme for gold mines has been introduced recently in Southern Rhodesia—which is not a member of Bretton Woods.)

The United States is today practically the only member of the Bretton Woods club that does not recognize or tolerate exchange rate multiplicities of any kind, open or concealed, for its own money. Officially, there is one kind of U. S. dollar only. However, the Treasury cannot do much about the actual emergence of fantastic dollar-gold rates abroad, the multiplicity of which is brought about largely by the Treasury's own refusal to disgorge gold. Obeying strictly the rules of the Fund, individuals in this country are warned against dealing in unprocessed gold, and even the traffic by import and re-export is prohibited. On paper, we are bound to the Fund's directives. In reality, we are the force behind the Fund's management that strives to maintain the sheer appearance of an orderly system of international exchanges and does so in the face of a growing exchange-chaos.

Gold Market Disequilibrium

To use Bretton Woods as a pretext for our gold policy is like Edgar Bergen claiming that Charlie McCarthy tells him what to say. The Monetary Fund's attitude is determined for all practical purposes by the U. S. Treasury. Small wonder that the one operates under the same fallacious theory as the other: that gold in free circulation upsets the apple-cart of "uniform" exchange stability. Incidentally, this is a new interpretation of the Fund's statutes, contrary to its original intentions and practices, as Herbert Bratter has pointed out, and one to which it does not even adhere consistently. But the attempt to suppress the facts of life — the premium on gold in the vastly expanded black markets, the tolerated "cross-rates," and the actually legalized currency depreciations—merely help to confuse the confusion.

The United States is the normal outlet for gold under present circumstances—i.e., the place where to buy things with gold. We accept it at a fixed price that makes all but the high-grade mines submarginal, and offers a purchasing power in dollars to the gold importer equivalent to one-half or one-third only of the purchasing power gold coins command abroad. As a result, gold production is reduced to the detriment of nations the welfare of which substantially depends on gold mining. On the other hand, a premium is being put on hoarding gold (abroad) since it cannot be used to purchase at reasonable prices the desirable things of life. Gold once absorbed by the U. S. Treasury remains "buried": Americans are excluded as buyers, and foreigners do not have the dollars with which to buy it. Consequently, a world-wide shortage of gold—as a commodity—is developing, with serious implications to international equilibrium.

As to the reduction of gold output, it should be obvious that when costs rise and the price is fixed by a sort of international OPA, the outcome cannot but be less production. Countries like Canada, South Africa, and Australia have that much less they can export, and their balances of payments are impaired accordingly. In ultimate analysis, the American taxpayer carries the burden by some form of subsidy abroad, direct or indirect, to correct the unbalance.

A more complex problem is presented by the demand for gold. The purely monetary demand can be manipulated, of course, by barring coins from circulation and by changing or simply ignoring the reserve requirements of central banks. But the demand for gold as a commodity, such as in jewelry, in the industrial arts, and as a means of hoarding, is another story. That non-monetary demand the "forgotten man" in current money-tinkering, is not subject to the whims of money management. As a matter of fact, the more we manage the currencies of the world, including our own the more we foster the non-monetary demand for gold. The mere fact of rising commodity prices creates an incentive for speculative gold buying in the expectation of a future increase of the gold price in one country after another. That incentive is boosted further by the official gold hoarding policy of Washington.

The non-monetary demand for gold, for hoarding in particular is naturally intense under such restless political and social conditions as prevail at present in Europe, Asia, and even in Latin America. The fact that the United States effectively locks up the largest treasure in history, and adds to it constantly, creates the presumption of an actual or forthcoming shortage, which in turn fosters the speculative anxiety. Thus we pour oil on the fire of the gold hoarding propensity, which draws more and more capital from productive investment in countries that can least afford such luxury.

Return to the Gold Standard?

The logical solution of this impasse should be: to return to free gold circulation. Restoring the dollar to its undiluted convertibility and the American citizen to his right to own gold in whatever shape or form, to import and to export it, is elementary, sound economics. It is a healthy sign that more and more voices are raised in that direction. Unfortunately, the gallant fight which Representative Buffett of Nebraska and others are putting up in favor of a return to an unfettered gold coin circulation, is not likely to succeed in the near future. More stands in the way than the interpretation of Bretton Woods statutes, or the 15-year-old tradition of money-tinkering.

The question at stake is: at what price should the dollar convertibility into gold be restored? Devaluation of the dollar—converting it at less than 1/35th of an ounce of gold—would be an obviously inflationary move, accelerating the trend of rising prices. Free conversion without raising the gold price, while the market valuation is substantially above the official, would mean, for one thing, an unjustified profit to the first comers: they would get the gold at $35 an ounce and can sell it at a higher price. Far more important is, however, the hazard that a huge volume of gold might be drawn out of the national reserve.

It is impossible to gauge how much gold the Treasury might lose if it opens the doors of convertibility. This much is certain: the outflow of gold (within the United States) would depend largely on our financial policies and their reflex in prices. If we continue on the path of subsidy outpour, credit expansion and rising prices, to say nothing of a renewal of federal deficit financing, a large and steadily growing segment of the over-inflated volume of currency and bank deposits is bound to beg for redemption in gold. The inflationary process would have to come to an end or the gold reserve would vanish—which is just what the gold standard is supposed to accomplish, namely, to control the monetary management, to keep it from running amuck, by the threat of losing its gold.

But for that very reason, it is politically not feasible to open up the channels of gold flow until and unless the channels of paper flow are under control. A *monetary reform is the preliminary* that has to be under way *before free convertibility can be considered* seriously. To propose the latter and to expect the former to follow, is to assume that politicians may be willing to take a chance on an unprecedented decline of the gold reserve and its psychological repercussions, rather than to have them start on gradually correcting the overgrown paper prosperity. Return to the gold coin standard is essential to stabilization, but it can scarcely be the first step in that direction.

Liberating the Gold Market

Sooner or later, the vicious wage-price spiral will force this country into inflation control and the restoration of gold's controlling function. In the meantime, something ought to be done, partially at least, to moderate the international ill-effects of our gold hoarding policy — without prejudicing the future of the dollar.

Suppose the United States were to outlaw the private ownership and consumption of coffee, except in homeopathic rations, with the Treasury operating as the world's chief buyer of coffee at a price fixed well below the cost of many plantations. Evidently, in spite of some black marketing in coffee at a much higher than the official price, more and more producers would turn submarginal and stop producing. Brazil and Guatemala would be in trouble and soon would ask to be rescued. Telling them that they should apply labor and capital to some other production, would not relieve their pains.

This is an exact parallel to what is happening to gold. But the gold mess could be remedied at once, to a substantial extent, without either waiting for a final stabilization of the dollar's purchasing power, or risking a run on the nation's gold reserve. The immediate remedy is a *partial re-opening of the gold market.* Our highly detrimental hoarding policy could be substantially modified by permitting the *free ownership and marketing of non-monetary gold,*

without restoring (for the time being) the full convertibility of the dollar.

(1) Privately owned bullion that is not legal tender is no more "money" than are the some $150 million worth of gold which the Treasury sells annually for industrial use. Suppose, then, that we were permitted to buy and to hold, to export and to import, bullion or foreign coins. Presumably, a price would establish itself above the mint price but below the "wild" valuations prevailing presently on the illicit markets. The foreign exchange value (gold parity) of the dollar would not be affected, not any more, or less so, than it is affected at present by the existence of a generally known gold premium abroad. As long as the Treasury sells gold abroad—on request—at $35 per ounce, and given our favorable balance of payments, the dollar could not depreciate in the foreign exchange markets. After as before, foreigners can redeem their dollars at the mint price.

(2) Possibly, Ruritania might sell bullion on the (legalized) American open market at, say, $45 the ounce, and use the dollar proceeds to draw gold from the Treasury at $35 the ounce. Theoretically, this procedure may be repeated time and again. But it should be obvious that the open gold market could not possess an unlimited absorptive capacity. How many Americans would pay a high premium to own a bulky piece of gold bar, to burden themselves with the cost of safe-keeping, as well as to take the loss of interest and to risk the ultimate loss of the premium? The circular process of importing gold at one end and exporting it at the other would be brought automatically to an early end by the narrowing of the spread between the monetary (official) and the commodity (open market) price of gold. The Treasury's potential loss of gold would be limited accordingly. Also, the free market might be restricted to gold certified as *newly mined*, thus excluding the possibility of foreign countries "riding" the double price of gold, by selling at the one and buying at the other.

(3) However, the Treasury could attract no more gold—not until and unless the two prices are equalized. No domestic or foreign gold producer would sell his output at the official price when he can get more dollars at the unofficial rate. Consequently, the inflationary impetus which each addition to the Treasury's gold reserve (and to the excess reserves of the banking system) creates, would be eliminated. Even a partially free gold market would accomplish, in effect, the highly desirable *neutralization of the current gold influx*.

(4) Gold producing countries could sell their output on more advantageous terms than heretofore, thus strengthening their balances of payments. In addition to the higher dollar price their exports of gold would command, higher levels of gold output would be indicated. Also, some foreign gold hoards might re-open under the stimulus of a normalization that would discourage speculative expectations. In short, the establishment of a partially free gold market would contribute to a more rational capital flow all around.

(5) Lastly, a partial reopening of the American gold market, as suggested above, in no way prejudices the future "gold content" of the dollar. It does not imply to maintain the present par except temporarily. And it does not force us into changing it in the future. Of course, the final stabilization of the dollar means a return to the rule of free convertibility, under which no discrepancy between the monetary and the non-monetary price of gold could persist. But we will have the free choice between raising the one by devaluation—the British move of 1931 was in no way inhibited by the then free gold market in London—or lowering the other by deflation, or a combination of both.

In the meantime, a partial freedom for gold will help to take some of the buoyancy out of the international black markets, and to reduce the deficit in foreign balances of payments as well as the inflationary potential in this country. Above all, it will mean to reinstate a guardian—or thermometer—of financial sanity. A domestic market valuation for gold, much more so than a set of widely divergent foreign black market prices, will fulfill the intermediary function of indicating the state of confidence in the dollar, while final stabilization is pending.

New Status of Radio Industry

(Continued from page 7)

classifications where the industry has generally over-produced.

Please understand that I did not come here today to blow our own horn—if I refer frequently to our own philosophy and practices it is because I know our own operations more thoroughly than those of our competitors. And what I said about quality and performance as it applies to our own situation is equally true of other manufacturers who have followed the same philosophy and who are finding business very good indeed today.

Poor Quality FM Sets

Slipshod quality on the part of some producers has come very close to ruining the best new market for radio sets that the industry has ever known. I am referring to FM, which offered the industry one of the greatest opportunities it ever had to sell something that was good to the consumer, that was new and that increased the average unit of sale. Then there appeared on the market a number of so-called FM sets that did not in any way take advantage of FM's superiority. Many of these sets were so lacking in sensitivity that they did not give even good urban reception. Others were so poor in static suppression and tone quality that the public listened and said, "So what?"

Yet, there is a terrific market for FM sets that really perform. We have one model so much in demand that in spite of full production it will be September 1 before we can complete the orders that have come in from our distributors in the past month when we expected business to fall off! And I know that other manufacturers who build genuine FM with real performance are enjoying similar success.

The history of several perennially successful radio manufacturers shows that the radio business can be both stable and profitable. Through the years those manufacturers that have relied on quality rather than pressure, that have protected dealers against dumping and that have provided plenty of performance and demonstrable features, have prospered. Dealers who have conscientiously taught their sales personnel how to sell have moved consistent volume without constant liquidation and concentration on distress merchandise. It *can* be done and the trends now appearing in the industry indicate that it *must* be done in the future by those manufacturers and dealers who wish to stay in business and prosper.

Radio Manufacture More Stable

FM and television are rapidly changing the nature of radio manufacturing. The day is past when a screw-driver mechanic with a couple of dollars could build a satisfactory set. Good television and good FM can be produced only by manufacturers with adequate facilities for research and production. In our own television program, we have more men at work designing television sets and the test equipment necessary to produce them than we employed in our entire factory 20 years ago.

Radio manufacturing has been a big business made up of many small and a few relatively large companies. The trend seems to be more and more toward a smaller number of large manufacturers. This trend is being accelerated today by the large capital investment required for the new products appearing on the market.

I believe that the exacting requirements of FM and television will kill much of the crap shooting that has characterized our industry in the past. With AM radio, a slipshod manufacturer could get by with poorer merchandise. The day when this can be done with FM is nearly gone; too many people have heard good FM reception to permit any large sale of spurious merchandise.

Television

Television presents even greater problems for the fringe manufacturer. Now that the demand for television by gadget buyers is just about satisfied, we are entering a period when quality of receiver and of programs will be the determining factor in television's growth. The human eye is much more exacting and critical than the ear, and the public demands much higher standards from visual entertainment than from sound.

The changing character of the radio industry, brought about by FM and television, means that our industry must toss out as rapidly as possible the economic malpractices that have caused us all so much trouble. With fringe operators largely eliminated by the increasing complexity of our new developments, it is up to established manufacturers to police the industry and eliminate these objectionable practices that have persisted from our early days. I know, from long experience, that a company can operate profitably year-in and year-out without violating the Fair Trade Practice rules the industry established with the Federal Trade Commission nearly 10 years ago. Now that our industry has become mature, with few openings left for unscrupulous opportunities, we can anticipate closer hewing to the line of sound business and good ethics.

Naturally one of the questions which I am sure you are interested in is: What your position will be in this great industry of ours.

If the manufacturer faces tremendous investments and the responsibility of bringing you good merchandise, and also endeavoring to get his house in order, then, you as a representative dealer also have your share of responsibility to shoulder, if we are to enjoy the delights of what looks like a very real prosperity.

Your place of business must first of all reflect the fact that you are an important and stable merchant in the community. This does not mean that you must indulge in a Hollywood front, but it does mean that your establishment should be neat, orderly, and businesslike. If people are to be asked to invest substantial sums in our merchandise, and are willing to buy, then it becomes necessary for your people to know their merchandise, to be trained and schooled in what they have to sell and to have learned the lesson of courtesy, and the value of the customer. All this takes the time and effort of somebody. It is not done with mirrors.

To Get Greater Share of Consumer's Dollar

For some time I have been of the opinion that the radio industry, by virtue of FM and television, is bound to secure a greater share of the consumer's dollar. In addition to listening to radio and enjoying the delights of recorded music, people have indicated that they want visual entertainment as well.

The desire to do all three of these things will obviously cost more money than merely to do two of them. Therefore, while the average family's budget may remain a constant figure, people generally will find ways and means to enjoy all three entertainment mediums which radio offers today. We are, therefore, so to speak, right in the path of the breeze. It is blowing in our direction. It's really up to us to find out how to most intelligently capitalize on it and take advantage of it.

A Billion Dollar Industry

Radio today is a billion dollar industry and is destined to become even greater. I have deliberately refrained in my talk from dealing in a lot of statistics because to throw around the various millions with which we must deal in radio today means comparatively little to the dealer unless it is reduced to how it affects his store on Main Street, U. S. A., and what it means to him in dollars and cents.

Injected into our radio picture for this next year looms a big imponderable that will have an as yet undetermined affect upon us. That is our Industrial Military Mobilization program. The Radionic Industry plays a tremendously important role in this program, and the degree to which we may be affected we do not yet know. It is something, however, that we must take into our calculations and while this program has not as yet touched us, it is sure to do so before the year is ended.

It has been said that industrially we are in what might be termed the third chapter of our development in this country. At the turn of the century we were in the midst of the era of invention, when the automobile, the airplane, the phonograph, wireless, the incandescent lamp, etc., all came into being.

Then, we passed into the era of production. We found out how to make all of these things in mass production which in turn gave us lower prices, and made it possible for all these things to come into universal use.

World War II climaxed this era of production and brought this nation to the highest productive efficiency attained by any country in the world.

Now we have entered the third era, namely, the era of selling. We have created our inventions, we have found out how to produce them. Now we must find out how to sell them. We have not by any means as yet tapped all the possibilities that lie in this direction. The days of the cigar chewing drummer are gone just as surely as the horse and buggy which he drove.

Today, our approach to the sales problem should be just as scientific and as carefully prepared as is our approach to the development of a new product. As manufacturers, we must not penalize the good merchant who is operating efficiently by carrying a lot of weak merchants who do nothing but reflect higher costs in our products. You, in turn, as dealers, in looking toward the future can with profit to yourselves reappraise the people with whom you do business, and ask yourself if you are basing your judgment on whether you are out for the immediate return of a quick nickel or the long pull return of a dependable dollar.

In other words, as a self appointed purchasing agent for your community, are you going to be just as able to discharge your obligation to that community five years from today, as you will five months from now?

New Jersey Pwr. & Lt. Bonds Placed on Mkt. By Halsey, Stuart & Co.

Halsey, Stuart & Co. Inc. offered publicly July 9 $6,000,000 New Jersey Power & Light Co. first mortgage bonds, 3% series due 1978, at 101¾% and accrued interest. The firm was awarded the bonds at competitive sale on its bid of 101.319.

Proceeds from the sale of bonds will be used for the purchase or construction of new facilities and the betterment of existing facilities. The company's parent, General Public Utilities Corp., on June 25, 1948, increased the company's common stock equity by making a cash capital contribution of $1,750,000 which was credited to capital surplus. Of this amount, $1,100,000 was used to pay an equal principal amount of bank loans and the balance will be used in connection with its construction program.

The new bonds will be redeemable at prices scaled from 106¼% to 100% and through operation of the sinking and improvement fund, beginning in 1950, at prices ranging from 102% to 100%.

The company renders wholesale and retail electric service in one city, six towns and in all portions of 28 boroughs and 68 townships, all located in the western and northwestern parts of New Jersey, in the counties of Hunterdon, Mercer, Morris, Passaic, Somerset, Sussex and Warren. The territory served comprises an area of approximately 1,800 square miles with a population of approximately 179,000, according to the 1940 census.

Hamilton Wilson With T. H. Jones & Co.

CLEVELAND, OHIO—Hamilton Wilson has become associated with T. H. Jones & Co., Union Commerce Building, members of the Cleveland Stock Exchange. Prior to an illness which forced his retirement from the securities business two years ago, Mr. Wilson was a Vice-President of Lee Higginson Corporation in charge of the Cleveland office. Prior thereto he had been Vice-President of Field, Richards & Co. From 1934 to 1942 he was a partner of Edward B. Smith & Co. of New York and previously was an officer of the Guaranty Co. of New York.

A. C. Salmon, III, Is With Union Securities

Arthur C. Salmon, III, has become associated with Union Securities Corporation, 65 Broadway, New York City, in its Municipal Bond Department, it is announced. Mr. Salmon has been in the New York office of the Commerce Union Bank, Nashville, Tenn., for the past two and one-half years.

Bryant With Atwill & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—William H. Bryant has become associated with Atwill & Co., 605 Lincoln Road. He was formerly with A. B. Morrison & Co. and Southeastern Securities Corp. Prior thereto he was with Strauss Bros., Inc., and Blair F. Claybaugh & Co.

Salesmanship a Necessity Now

(Continued from page 6)

ganda, economic rivalry. Yet it is nonetheless a real struggle for survival. In this historic struggle, American business holds a key to the future.

Victory in this struggle depends upon the vital processes of American enterprise; on the creative energies of free men; upon the capacity of the American market to grow and to develop.

The two world wars have shown how durable, how strong, and how capable of further development is this citadel of freedom. Only as we look back do we appreciate how far we have come, how much our market has grown, how powerful has become the American enterprise system since those fateful days in 1914 when Europe took the road to war and ruin.

U. S. Has Increased in Stature

In everything that means economic strength the United States has increased in stature. In agriculture, in steel, oil, manufacture, electric and automotive power, air transport and chemistry, United States economy now towers in size and leadership.

The evolution of the American market has moved forward during these decades of fateful change. The limits of this development cannot be seen. The boundless optimism of youthful America has been justified.

Now the American market is on the heights of a great advance in business. Every yardstick of economic growth — production, sales, income, employment, tax receipts, exports — shows large gains over pre-war figures.

Truly, young America has become a giant among the nations, vigorous in growth and vibrant with aspiration for further achievement.

The vigorous postwar growth of the American market has refuted the doleful forecasts of the pessimists and even has astounded the optimists. Repeatedly, prophets of gloom have peered through dark-colored glasses into their crystal balls and come up with forecasts of recession, depression, collapse, hard times. Meanwhile, with some pauses, swift activity has continued. Business has overcome innumerable obstacles of shortages, government controls, strikes, change over from war, taxes. Industry has shown the same capacity to meet the needs of peacetime that it did in meeting the requirements of war.

Freed of OPA and other government controls, American enterprise demonstrates convincingly that it is far and away the most productive system yet developed on this earth. The farms and factories of American enterprise have poured into the market the greatest production recorded in peacetime. The huge backlog of unfilled demand accumulated during the war is well on the way to fulfillment.

Production Threatens to Outrun Demand

In some lines the cup of production is running over. Cutbacks in output are necessary to restore balance between supply and demand and to reduce inventories. We read in the news, for instance, that radio makers will turn out 25% fewer receiving sets this year after overcoming accumulated demand with a fast spurt of production the last three years.

That is happening, too, in other industries. One by one, the backlogs are whittled down, and supply overtakes or approaches demand again. Competition for business sharpens.

Once again, after these years of easy selling, the call goes out for salesmen. An era of sharp competition does not arrive suddenly — overnight. Rather, it comes gradually, by degrees, for months and the transition from sellers' to buyers' markets will continue for more months. In a market as large, as varied, as complex, as the United States market, the shift from a seller's to a buyer's market cannot take place all at once.

For many months, business has been undergoing readjustment from the extraordinary conditions of war to the more normal conditions of peace.

When sufficient durable goods, as new houses and automobiles, become available, consumer demand will change. Competition for the consumer's dollar then increases among sellers of hard and soft goods. Luxury items are the first to feel the shift.

The transition broadens out into textiles and other lines where supply is overtaking demand after years of easy selling.

Some prophets seemingly went astray in judging the timing of the transition. They assumed the shift would come suddenly, everywhere at once, instead of progressively, industry by industry.

The slack in certain consumer goods lines, as supply overtakes demand, is made up by continued expansion in building, transport equipment, capital goods generally. The potential demand in these heavy goods lines is still enormous.

This process of transsition—with expansion in heavy goods and in building offsetting shrinkage of some consumer markets—could continue for a considerable period without a major turn in the main trend of business.

In the turn from sellers' to buyers' markets there is plenty of additional business for those who will go after it aggressively and intelligently.

In the coming era of increasingly competitive selling, market research will be as essential as were technical research and development in the years of easy selling, when demand topped supply. The vast American market, and its ramifications into the Western Hemisphere and beyond, is capable of infinite development. Consumer demand can be multiplied indefinitely.

The frontiers of salesmanship always lie beckoning ahead.

Television, housing, household improvements, chemical products, new tools and processes, recreation: broad new fields of enterprise and salesmanship are waiting to reward the bold and the resourceful!

The latest achievements of American enterprise show how shallow, how blind, how faithless were the judgments of many critics of business during the prewar depression decade.

These critical judgments found loudest expression in Washington during years of hostility in government toward business enterprise. Now, with clearer perspective, we move toward the promise of new and greater achievements.

In this transition period, American genius for production will be matched by American genius for selling.

There are many who argue, quite cogently, that business has been sustained artificially at boom levels by government-administered stimulants, by handouts to Europe, by the Marshall Plan, by multi-billion spending financed by a $250 billion national debt. As this debt indicates, we have postponed paying the piper for the years of inflation and easy selling, for our war losses and delays in returning to the sober ways of peaceful work.

We are facing further Federal spending on a mammoth scale in more aid to Europe, increased national defense, assistance to veterans, public works, debt service and high cost of an inflated bureaucracy.

The encouraging aspect of this situation is that America keeps growing stronger and greater and so increases in capacity to carry a staggering burden of debt and the high cost of government.

As a nation, as an economy, as a market, we need to continue to grow and to develop.

The salesman must step forward and lead when the unfilled orders run out and production falters. We cannot afford a let-down with such financial burdens as we have now.

Shadow of Long-Range Inflation

With a $250 billion national debt and a $40 billion annual Federal budget, the long-range threat of inflation still shadows this nation.

A debt and budget of this size can be carried safely only in an expanding economy with high employment, high national income and incentives to enterprise.

When supply lines overflow and production slows, the country will have to look to good salesmanship to sustain jobs and income at high levels.

With good sales leadership, and incentives to enterprise, America will continue to grow and expand.

In that I have confidence, rooted in long years of experience on the American business scene. My confidence now is encouraged by what I see around me, by the evidence in today's gathering and elsewhere, that business is conscious of its responsibilities, conscious of the changes taking place in the shift from easy selling to increasing competition.

Survival in a competitive market requires alertness and ready adaptability to change. The businessman who is alert to change, whose plans are flexible, has the advantage in the coming area of increasing competition. Business has thrived on competition, and it always will. Competition is good for the businessman, as it is good for the consumer and it advances the public welfare.

The opportunity for salesmanship has come. And I am confident that American enterprise, as it has in the past, will make the most of it.

That is the spirit that has made America strong and fit for leadership in a test of survival between the tyranny of the police state and the enterprise of free people.

Holds Military Hamper Enlistments

(Continued from page 6)

fist, that made many Congressmen fear to oppose a peacetime conscription program assuming that the military would use its influence over the press to publicly denounce those who might wish to speak against a conscription bill providing for forcing Americans into the military service in peacetime for 21 months. Our Military Department of the Army has been refusing to permit men who wanted to volunteer to enter the army for 18 months ever since July 1, 1947; and has withheld the incentives of geographical choice and other inducements from those who wished to voluntarily enter the service for 24 months.

Apparently, ex-officer McRae is seeking to terminate presentation of the draft facts by the implication that there is an error in factual data in the article he critizes in the hope that official confirmation of the material set forth cannot be supplied.

For his information on this particular I wish to call to his attention the fact that unclassified information delayed in its transmission from the Department of the Army until June 16, 1948 (and, therefore, not available for the Armed Services Committeemen and other members of Congress until after release of the draft bill to the floor of the House of Representatives), stated that during the entire 11-month period from April 1, 1947, through Feb. 28, 1948, the Army accepted only 10,219 new two-year volunteers, although 179,408 men enlisted for the three-year period.

Obviously, enlisted men do not prefer to volunteer for three years in preference to two years, unless there is something particularly unattractive about the arrangements under which two-year volunteers are accepted.

In the words of the Chief of the Manpower Control Group, Department of the Army, the reason why few men volunteered for two-year enlistments is as follows: "Men enlisting for two years are not given choice of geographical (location), unit or branch of service. *This probably accounts for the fact that fewer men enlist for a two-year period*" (italics inserted).

Here we have the key to the situation, long known to the heads of our military departments but withheld from Congressmen until a draft bill could be high-pressured to the floor of the House of Representatives.

The granting of three-year inducements to two-year new volunteers would have brought 500,000 men into the service for two-year enlistment during the period ending March 1, 1948, and an equal or greater number than that during the ensuing 12 months judging by the fact that nearly 200,000 were willing to come in for a longer period. To further increase the quota of volunteers and retain an incentive for three-year volunteering the Army can pay a bonus of $100 for each completed year of a three-year enlistment.

This would provide a much-needed increase in pay comparable with pay raises in civil life and cost much less than the money otherwise paid out to hirelings—paid to engage in the un-American practice of forcing young Americans to enter into a drafted military service in peacetime. Certainly, if we must pay out money in one way or another it would be more equitable to employ the $2 billion allotted for "Selective Service" officials as an increase in pay to volunteers, for they are undergoing an experience in the destruction of their individuality, self-confidence and initiative for which no amount of money could adequately compensate . . . our enlisted personnel.

The engaging in wartime duty as an officer does not constitute a vested right in itself for the support by American citizens of professional miliary officers overcomplement in peacetime. Enlisted men who engage in the wartime hardships without the glory or monetary compensation, do not expect to be supported in peacetime simply because they served their country in time of war.

Our best officers, like Doolittle and Eisenhower, return to civil life where they are available in case of need for military duty, but able to perform useful productive functions during the peacetime interval.

The ridiculous assertion by ex-officer D. F. McRae that the draft drive of "a few high placed individuals" was a strenuous battle to provide an adequate military defense force is the type of pseudo-patriotic language employed by demagogues without military experience whom we always find at the forefront of any fight for a draft. These great patriots are always so busy trying to get others forced into the military that, by a curious coincidence they and their families never serve there themselves.

For a man who has been a part of the military to make a statement such as the above either may indicate hypocrisy or evidence that his own indoctrination into the military practice of blind obedience to authority has closed his mind to any information except that coming from a superior officer in rank.

Supported by documented statements, many from our highest ranking officers, we have the clearest case presented of sabotage of the National Guard and the Organized Reserves, testimony of General Evans to this effect having been documented with my article in the June 17th "Chronicle." Our Defense Secretary and Army leaders not only refused to organize or permit the activation of the reserves, as is presented in the Evans testimony, but extended their efforts to sabotage the voluntary recruitment program into the field of the active duty personnel.*

Laws passed by Congress empowering the enlistment of two-year men and of 18-month voluntary enlistments were, in the case of the latter, suspended since July 1, 1947, by the Department of the Army, which refused to accept one man for 18 months' voluntary enlistment since that date, although quite willing to force men in for a period only three months longer. The two-year men were provided no incentive whatsoever for enlistment and grades were raised to a point where half of those rejected from the new volunteers were rejected because of inability to make the grade of 80 points on the Army classification tests. As irrefutable evidence that these tests were set at an excessively high minimum we have the testimony of General Eisenhower before the Senate Military Affairs Committee, from which I quote:

"I thought I had directed, before I left as Chief of Staff, to drop for the ground forces, at least, the figure back to 70, and I thought there is where it was."

Even the military advertising for volunteers was stated in a manner that would make only someone incapable of reading willing to enter the army after exposure to the advertisement. In support of this statement, I present the following quotations from an advertisement of the U. S. Army and U. S. Air Force Recruiting Service:

A picture of tanks in action on desert land is accompanied by the following phrases:

"Ready, Aim—Fry!"

"It's so hot canned goods blow up. Big guns die young—of the heat."

"Cigarette lighters go dry as fast as you can fill them. That's the Arizona desert, in summer."

Now I have done engineering work as a civilian on the Arizona desert and know from this experience that although the temperatures are very high in mid-summer, the low humidity makes most Arizona desert climate quite endurable and preferable to the more humid Eastern climates which experience lower temperatures.

The Army advertising, designed to turn away prospective volunteers, infers that if a man were to join the Army as a volunteer he would be sent to Arizona to "Fry."

When a military department reaches the point of audacity and arrogance that it may disregard laws passed by Congress to encourage enlistment and engage in the above methods of creating a manpower "shortage," it is fantasy for a former Navy officer to claim that our military departments "fought a strenuous battle to provide an adequate military force."

JIM HOWARD.

Washington, D. C.
July 14, 1948.

*Extract from House Report 1881, 80th Congress, 2d Session, Minority Views, H. R. 6401, May 7, 1948.

SEC Reports Decline Of $400 Million in Individuals' Savings

(Continued from page 13)

of which $1.6 billion was in U. S. Government securities, $400 million in state and local government issues, and $500 million in corporate and other securities. Individuals also added $900 million to their equity in private insurance, $700 million to their equity in government insurance, and $300 million to their investment in savings and loan associations. At the same time they increased their mortgage debt by $800 million, while there was practically no change in consumer indebtedness other than mortgages.

The drop in individuals' cash and deposits reflected a decline of $3.6 billion in checking accounts compared with an increase of $1.5 billion during the fourth quarter. Individuals also reduced their holdings of currency by about $800 million. Time and savings deposits, on the other hand, increased by $500 million during the first quarter of this year, about $200 million more than in the previous quarter.

There was a net increase in individuals' holdings of U. S. savings bonds amounting to $800 million, about evenly divided between Series A-E bonds and Series F-G bonds. The rather large net increase in savings bonds may be explained for the most part by individuals' purchases at the beginning of the year to make up their 1948 allotments. Individuals' net holdings of U. S. Government securities other than saving bonds also increased by $800 million. This increase reflected market purchases in excess of retirements of $900 million, offset slightly by a $100 million increase in bank loans.

During the first quarter of this year there was a comparatively large increase in individuals' holdings of state and local government securities amounting to $400 million. This was accounted for by the substantial amount of new securities issued by States to pay for veterans' bonuses. Individuals increased their investment in corporate and other securities by $500 million. While there were approximately $1.3 billion of net issues of corporate bonds during this quarter, individuals increased their holdings by only $200 million; most of the new debt issues were purchased by insurance companies. The $300 million increase in individuals' investment in corporate stock reflected net issues of $200 million and repayment of bank loans of $100 million.

Of the remaining components of individuals' saving during the first quarter of 1948, there was an increase of $800 million in mortgage debt, while at the same time new construction of homes amounted to about $1.5 billion. Mainly as a reflection of seasonal factors, there was very little change in other consumer indebtedness in contrast to the record increase during the last quarter of 1947.

Froemke With Kelsey

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Maynard C. Froemke has become associated with W. J. Kelsey & Co., 25 Taylor Street. He was formerly with Ted Weiner & Co., C. L. Vertin Co. and Buckley Brothers.

With Wilson, Johnson & Higgins

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL. — D. Von Cram, previously with Hannaford & Talbot, is now associated with Wilson, Johnson & Higgins, 300 Montgomery Street.

The State of Trade and Industry

(Continued from page 5)

increase, that might be as much as 16¢, which would include the straight increase per hour plus insurance, etc.; the increase in cost of items sold to the steel industry which are now on an f.o.b. mill basis and thus include freight formerly paid by the producer, and the accumulation of freight increases paid by the steel industry on raw materials which were not covered in any previous price increases, this trade authority notes.

When prices are announced by a few companies this week and by more next week, "The Iron Age" observed, the steel trade will find itself in one of the most confusing periods in steel history. Not only will mill prices be established at most every point of production—as predicted by "The Iron Age" two weeks or more ago—but each of these new points will be accompanied by a new and substantially higher price than heretofore.

While steel people were studying tentative price schedules for their companies over the avalanche of confusion the f.o.b. mill system will cause, the scrap market began kicking up, the trade paper pointed out. Once again the price moved up at Chicago while other areas feebly held to the so-called formula prices with little in the way to point to as large tonnages.

"The Iron Age" steel scrap composite rose this week 9¢ a gross ton, reflecting the increase at Chicago. It now stands at $41 a gross ton and is nearing the high for this year. It is still $2.58 a gross ton below last year's high in the week of Oct. 28. Pig iron advances will follow steel in addition to those already made last week, the magazine concludes.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel-making capacity of the industry will be 90.8% of capacity for the week beginning July 12, 1948, an increase of 0.5 points, or 0.5%, from last week. A month ago the indicated rate was 96%.

This week's operating rate is equivalent to 1,636,600 tons of steel ingots and castings as against 1,627,600 tons last week, 1,730,400 tons a month ago, 1,601,200 tons, or 91.5% of the old capacity one year ago and 1,281,210 tons for the average week in 1940, highest prewar year.

ELECTRIC OUTPUT DECLINES FURTHER IN LATEST WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended July 10, was 4,760,316,000 kwh., according to the Edison Electric Institute. This was a decrease of 405,509,000 kwh. below the output in the preceding week. It was however 229,783,000 kwh., or 5.1% higher than the figure reported for the week ended July 12, 1947 and was 603,930,000 kwh. in excess of the output reported for the corresponding period two years ago.

CAR LOADINGS FALL 14.8% IN WEEK ENDED JULY 3

Loadings for the week ended July 3, 1948, totaled 757,366 cars, according to the Association of American Railroads. This was a decrease of 131,216 cars, or 14.8% below the preceding week, but an increase of 128,162 cars, or 20.4% above the corresponding week in 1947 and 77,591 cars, or 11.4% above the same week in 1946.

AUTO OUTPUT OFF DUE TO HOLIDAY SHUTDOWN

Production of cars and trucks in the United States and Canada rose to 98,362 units from 112,307 (revised) units the previous week, according to "Ward's Automotive Reports."

Output in the similar period a year ago was 90,075 units and, in the like week of 1941, it was 114,318 units.

This week's output consisted of 67,686 cars and 25,071 trucks made in the United States and 3,490 cars and 2,115 trucks made in Canada.

The Ward survey said strikes in automotive supplier plants are serious threats to planned schedules. Most serious, it said, were wage dispute strikes at the Timken Detroit Axle Company and the Campbell, Wyant and Cannon foundry in Muskegon.

BUSINESS FAILURES OFF IN HOLIDAY WEEK

Commercial and industrial failures declined from 103 to 88 for the holiday-shortened week ending July 8, Dun & Bradstreet reports. This was almost double the 49 casualties of a year ago, and nearly six times the 15 reported in the comparable 1946 week, but they continued to be far below the prewar 1939 week when 272 businesses failed.

Most of the week's decrease occurred among failures involving liabilities of $5,000 or more, which totaled 71 against 84 last week and 42 in the same week of 1947. Small casualties with losses under $5,000 dipped from 19 to 17, but were over twice as numerous as a year ago when seven succumbed.

Manufacturing and retailing felt the decline most sharply, while only one construction, had more casualties than a week ago.

The Middle Atlantic States had the most failures. All other regions except New England had less than 10 failures during the week.

FOOD PRICE INDEX DECLINES FOR THIRD CONSECUTIVE WEEK

The Dun & Bradstreet wholesale food price index fell 2 cents last week to stand at $7.12 on July 6. This followed similar declines in the two preceding weeks and narrowed the gain over the comparable 1947 index of $6.41 to 11.1%.

The following commodities which moved upward during the week were cheese, cocoa, bellies, steers and hogs. These were offset by declines in flour, wheat, corn, rye, oats, barley, beef, hams, lard, cottonseed oil and potatoes.

WHOLESALE COMMODITY PRICE INDEX CONTINUES DOWNWARD MOVEMENT

Continuing the downward movement of the previous week, the Dun & Bradstreet daily wholesale commodity price index declined to 283.16 on July 6, from 286.51 on June 29. The current level compares with 259.80 on the corresponding 1947 date, or an increase of 9.0%.

Leading grain markets showed further easiness last week as the result of continuing favorable crop prospects.

The feed grains, corn and oats, developed the most weakness, with the July oats contract selling at a new low price since early May. Expectations are for a fair movement of new crop oats in about two weeks. Corn fell sharply in late dealings as the result of clear and hot weather which prevailed last week and indications pointing to a near-record crop. Estimates of private authorities place this year's corn yield at 3,137,000,000 bushels, as compared with 2,400,000,000 bushels last year, and a 10-year average of 2,813,000,000 bushels. Domestic flour bookings continued on a limited basis with some moderate sized lots of Winter and Spring wheat flours reported taken by large chain and independent bakers for fill-in purposes. Domestic demand for lard was relatively slow and prices were a shade lower. The movement of hogs showed a falling off during the week and prices were irregular with closing quotations about unchanged from a week earlier. Steers and fresh beef moved lower in the week.

Cotton prices in leading markets continued to trend downward this week.

A drop of 92 points in the New York spot price brought the current level to 36.34 cents per pound, as compared with 36.95 on the like date a year ago. Delays in export buying under the ECA program was said to be the underlying influence in the current easiness of the market.

Other bearish factors included the continued generally favorable conditions in the cotton belt, reports of a slowing down of cotton mill operations during July, and expectations of a relatively large cotton yield this season.

Mill buying continued small. Sales in the 10 spot markets continued in light volume, totaling 23,900 bales for the week, as against 31,700 in the previous week and 35,500 bales in the same week a year ago. Carded gray cotton cloth markets were generally quiet the past week. There was some pick-up in inquiries in the sheetings division but the recent price reductions for many cloth constructions failed to stimulate any material volume of business.

Trading in the spot raw wools market at Boston continued quiet last week. A few transactions in fine and medium French combing wools were reported, but with the vacation season in full swing, little new buying is expected until after July 19 when mills resume operations.

In foreign wool markets, the price tone continued very firm except for a slight easing noted for good fleece Australian wools.

Imports of apparel wools received at Boston, New York, and Philadelphia rose to 8,512,100 clean pounds for the week ending June 25, from 6,124,900 in the preceding week.

RETAIL AND WHOLESALE TRADE MAINTAINED AT HIGH LEVEL FOR WEEK AND YEAR

The long July 4 week-end and favorable weather in most sections of the country last week resulted in increased consumer buying of almost all types of seasonal merchandise. Retail dollar volume was moderately above that of a week ago and well above the level of the corresponding week a year ago, Dun & Bradstreet, Inc., reports in its current survey of trade. Promotional sales of Summer goods met with increased consumer interests and collections in most parts of the country were prompt. Prices of some Summer merchandise were reduced considerably last week.

Interest in both men's and women's apparel centered on sport and beachwear with printed lastex bathing suits frequently requested.

Special holiday promotions of women's cotton dresses attracted considerable attention; tropical suits, slacks and sport shirts made up a large part of the volume of sales in men's wear.

Apparel dollar volume compared very favorably with that of the corresponding week a year ago.

The consumer buying of most foods continued at a very high level the past week. There was a slight decrease in purchases of fresh meat as warm weather continued and prices remained high. The demand for picnic items increased substantially during the week, with beer and soft drinks frequently requested. Consumers bought a large volume of most types of fresh produce and prices of many items declined fractionally.

Total food volume was moderately above that of the corresponding week a year ago.

Vacations stimulated the demand for luggage and sporting equipment of all kinds, with automotive accessories and tires purchased in large quantities. Promotional sales of house furnishings attracted favorable attention. Consumer interest in radios and refrigerators increased somewhat last week.

Retail volume for the country in the period ended on Wednesday of last week was estimated to be from 7 to 11% above that of a year ago.

Regional estimates exceeded those of a year ago by the following percentages: New England, 9 to 13; East, 8 to 12; South, 6 to 10; Middle West, 10 to 14; Southwest, 5 to 9; Northwest, 7 to 9, and Pacific Coast, 3 to 7.

The observance of annual vacation periods in many businesses and the long holiday week-end resulted in a slight decrease in retailer buying during the week. Wholesale dollar volume was slightly above that of the like week of 1947. The number of buyers at wholesale markets during the week declined considerably from the high level of a week ago. Hot weather in most areas stimulated reorders for many types of seasonal goods.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended July 3, 1948, increased by *27% from the like period of last year. This compared with an increase of 7% in the preceding week. For the four weeks ended July 3, 1948, sales increased by 13% and for the year to date by 7%.

Retail trade here in New York the past week was marked by activity, but comparison with the similar period of last year was less favorable as a result of store closings on Monday, July 5, of this year.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to June 3, 1948, increased *37% above the same period last year. This compared with an increase of 8% in the preceding week. For the four weeks ended July 3, 1948, sales increased by 13% and for the year to date by 6%.

* In using year ago comparisons allowance should be made for the fact that stores were closed on Friday of this week last year in observance of Independence Day.

"New Deal" Accomplishments

(Continued from page 9)

was a program of selfish exploitation carried on under the friendly eyes of the American Government.

Accomplishments of New Deal Administration

What is this "New Deal"?

The gainful employment of more than 61,000,000 American workers which bids fair to rise to more than 63,000,000 during the present year, compared to 15,-000,000 unemployed 16 years ago.

Profits, after taxes, for American corporations for 1947 of more than $17 billion, the highest level in the history of the nation in either peace or war.

Increased production by the American people to a level exceeding $230 billion per annum; and an annual income of $210 billion for the American people in this good year 1948, compared to an annual income of $38 billion 16 years ago.

An increase in the monthly average of new construction in the first half of 1948 to more than $1.2 billion; and for the same period for new plants and equipment throughout the United States, excluding agriculture, the expenditure of the sum of $19 billion, which is an increase of nearly 400% above the same figures for 1939 and 1,000% greater than 16 years ago. Does this appear as an undue restriction in the facilities for new investment in new plants and equipment in the United States?

An increase in new corporate security issues, under the supervision of the Securities and Exchange Commission, to more than $6 billion for the year 1947, which does not appear to be an undue restriction on the investment of new capital in the corporations of the United States.

Sales and Exports

An increase in sales of American goods to a figure of more than $15 billion per month for the first two months of 1948.

An increase in our exports to other nations to more than $15 billion for the year 1947, giving us an excess of exports over imports of more than $6 billion under a Reciprocal Trade Program that the Republicans in Congress have scuttled.

A prosperity enabling the American people to indulge in personal savings of more than $100 billion since 1939.

A prosperity that has enabled the Treasury of the United States to discharge, in a little more than two years, more than $27 billion of the national debt inherited from the great expenditures of the war.

Let us ask, and let the American people ask, those who spray this forest of superb accomplishment with the froth of their vindictive lips, which tree will they cut down with their mighty ax or their puny hatchet?

Why Republicans Gained Congress

In 1946, the Republican Party secured control of both branches of the Congress and has been in control ever since.

The people did not really mean to elect a Republican Congress. They were voting against irksome and irritating annoyances which the war had required and which many of them thought should have been already eliminated. But whatever the motive, the result was the same.

What has been its record? How has it dealt with the monumental problems of the American people?

During the war, under the administration of President Roosevelt, occurred probably the greatest discovery in the history of science or invention, the discovery and utilization of atomic energy.

This fantastic element of nature has always existed, just as the rays of the sun always held the mystery of electricity long before Franklin flew his kite, but it had not been brought under the control of man until the emergency of war produced it, at a cost to the American people of $2 billion or $3 billion.

The problem which faces the world now is how and by whom it shall be used, and whether for the destruction of mankind or for his greater advancement in developing and producing the means of greater happiness and prosperity.

The 80th Republican Congress refused to confirm, for the terms fixed by law, the members of the Atomic Commission, which has been engaged in profound research into this new force of nature. But it shortened their terms to a period of two years, so that, if successful in the coming election, they might secure political control of the Commission and its functions.

Judging from the proceedings of the recent Republican Convention, you would not have known that atomic energy had ever been discovered or dreamed of.

Republican Congress Shortcomings

This Republican Congress claimed to have had a mandate from the American people. It began the discharge of that mandate in 1947 by seeking to destroy the Rural Electrification Administration, by denying to it adequate funds for its extension to the farmers of the nation.

Though lacking in courage to repeal directly the Soil Conservation Program, they have sought, both in 1947 and 1948, to restrict or destroy it by denying it the funds necessary for its administration.

While lacking in courage to repeal the Labor Relations Act, and the Fair Labor Standards Act, they have sought so to modify the basis upon which these enactments were predicated, as to destroy, in part, the rights enjoyed by labor in the collective process. They have done this by the enactment of a statute, which had its inception in a desire to destroy the right of American labor to organize, portions of which enactment have already been declared null and void by the Supreme Court of the United States.

The American people have the right to demand that the Republican Party and its candidates take them into their confidence regarding their intentions on this great program, which they condemn out of their mouths, but endorse in their platforms.

If we are to assume that they propose to abolish it from the statute books, let them so advise the American people. They cannot talk out of both corners of their mouths at once; nor reincarnate the spirit of a mythological Janus, either in their platform or in their public utterances.

Blasts GOP Congress

What, may I ask again, is the record of the Republican 80th Congress, upon which the candidates and the platform base their claim for support?

When it first assembled in January, 1947, the new Speaker of the House of Representatives, who was the Permanent Chairman of the recent Republican Convention, announced that they would open each session with a prayer and close it with a probe.

They have been in control of this Congress during its entire existence. If their prayers have been no more effective than their probes, they did not rise above the heads of the Congressional inmates. The mandate upon which this Congress claimed to have been elected, was supposed to have called for the undoing of nearly everything that had been done since they folded their tents and departed from Washington in 1933.

There is more to this record than appears upon the surface. There is more to it than found its way into the lawbooks. There is the record that is written in committee hearings and in floor debates. There is the record of things promised and not accomplished. There is the record of attempted sabotage of some of the greatest programs ever inaugurated by the American Government.

So far as the 80th Republican Congress is concerned, the evidence of things seen is no reliable guide to things unseen.

No Housing Legislation

You do not see a housing bill in that visible record. What became of it? Notwithstanding repeated recommendations by the President urging it to enact adequate housing legislation, not only for the veterans of our latest war, but for millions of people in the lower income brackets, this Republican Congress did nothing. Word came down from Philadelphia, where the platform committee was in session, in the closing hours of the last confused session of the Congress, demanding that some sort of housing bill be passed. Anything with the word "house" in it would be sufficient. They had to see it written across the horizon. Where is that housing legislation? It is not on the statutes. It furnishes no roof over the veterans, workers, or farmers. It is just another "gone goose."

Repeatedly the President recommended the enactment of legislation to improve and conserve the health of our people. The 80th Congress fumed and fretted and dickered. But where is the health legislation which the Republican Party and the Republican platform have promised the American people? It is another "gone goose."

Repeatedly, the President urged this Congress to enact legislation to improve the American educational system, to assist the states in providing better schools and better teachers and better school facilities for the education of our people, found deplorably deficient during the administration of the Selective Service Law in the last war.

The American people have the right to ask Republican leaders of the 80th Congress and the platform makers at Philadelphia in June, and the candidates nominated at that Convention, to explain why the Congress which they endorse failed utterly in the enactment of legislation to improve our educational facilities. They have the right to ask to what extent they may rely upon present promises in regard to education made either by a platform or by candidates, since they have been unable or unwilling to honor their commitments in the past. Where is the Republican educational program?

Home for "Lost Causes"

If you ask me where all these measures now repose, I answer that they have gone to the home for lost causes. If I may quote a recent distinguished authority on the subject, they are a part of the flock of "gone geese," put to flight by the Republican Congress which has adjourned.

Why did these measures remain unacted upon? It may be because they bordered too much upon the hated and dispised theory that government should place its powers and its facilities at the disposal of the people to be used by them to advance their welfare.

If you doubt this diagnosis, ask the Republican Speaker of the House of Representatives. Ask the Republican Chairman of the House Rules Committee, which did not even permit the housing bill to come to the floor of the House for consideration or debate. Ask the Republican Majority Leader of the House of Representatives. Ask the Chairman of the House Banking and Currency Committee. Ask the Chairman of the House Ways and Means Committee. Ask the Republican Whip of the House of Representatives. Ask the Junior Senator from Washington, the Junior Senator from Missouri, and the Junior Senator from the State of Wisconsin.

These men might shed some light on the reason for the utter inaction and the utter incapacity of the Republican Congress with reference to these and other vital measures.

Lobbyists Are Blamed

If information cannot be obtained from these sources, it might be interesting to inquire of the more than 1,400 registered lobbyists in Washington during the 80th Congress. In 1946, Congress passed a law requiring the registration of lobbyists and lobbying organizations. In the 79th Congress there were 360 registrations of lobbyists and organizations engaged in lobbying. During the 80th Republican Congress, more than 1,400 lobbyists and lobbying organizations registered. This is approximately three lobbyists for each Member of Congress, both Senators and Representatives.

Financial statements filed by lobbyist organizations and employers of these lobbyists also show that special interests are willing to pay big money to get the laws they want. These organizations have spent more than $8,000,000 to influence the 80th Congress, which is $3,000,000 more than the entire appropriation for all the 96 Senators and their official staffs to conduct the business of the people in the Senate of the United States.

The increase in lobbying registrations, and the enormous expense involved, might be a source of revealing information to the American people, if the truth can be ascertained.

Whether the American people receive adequate or satisfactory answers to these questions, they are entitled to know why it was that this Republican Congress subordinated the need of American veterans and American workers to the will of the Real Estate lobby which infested the corridors of the Capitol, and every hotel in the City of Washington.

These recitals, however, scarcely more than scratch the surface of Republican failures in the 80th Congress. Despite its repeated promises in its previous platforms to extend the benefits of the Social Security System, inaugurated and enacted by the Democratic Party, it not only refused to extend its benefits to those to whom it had promised them, but actually eliminated nearly three-quarters of a million people from possible benefits under it.

The 80th Congress refused to enact legislation increasing the minimum wage paid to American labor from 40 cents an hour, which will not buy a single pound of soup meat, to 70 cents an hour, which will just buy a pound of hamburger.

Question of Inflation

This brings us to the question of inflation, which not one Republican leader or orator dared to mention three weeks ago in their Convention held in this auditorium.

Repeatedly, the President of the United States called attention to the increase in the cost of living, which, since 1945, notwithstanding periodical increases in wages, has reduced the wage earner's buying power by more than 16%.

It was upon this issue, in part, that the Republicans won control of the two Houses of the Congress in 1946. But this Republican Congress was content to pass a milk-and-water voluntary price reduction measure, in spite of which prices have continued to soar. Production, they said, was the remedy to the high cost of living. Repeatedly the President urged Congress to take definite steps to halt this spiral of increased prices and consequent lower take-home wages. Production has exceeded wartime levels. But prices have continued to rise while a Republican Congress continued to dawdle.

Food Prices at Peak

Today the retail food price index is standing at 211% compared to the average of 1935 to 1939. It is higher than it has ever been in the history of this country. Food prices are 12½% higher than they were a year ago. They are 126% higher than they were in August, 1939, and 45% higher than in June, 1946, when price regulations were allowed to lapse.

The consumer's price index covering food, clothing, rent, fuel, electricity, ice, house furnishings, and other necessities of the moderate income group, now stands at 171% higher than the 1935 to 1939 average, 73% higher than in August 1939, and 28% higher than in June 1946.

But the 80th Republican Congress contented itself with the untruthful assertion that the President has all the powers he needs to hold the banks against the inflationary flood, and refused to take further steps in the war against inflation.

In their platform in 1944, the Republican Party criticized the dispersion of the agencies dealing with labor subjects away from the Department of Labor, and pledged themselves to consolidate them all under the Secretary of Labor.

The 80th Congress not only deliberately refused to carry out that pledge, but have literally stripped the Department of Labor by transferring from it agencies already existing under its jurisdiction, such as the Conciliation Service, and refused to approve a reorganization plan sent to Congress by the President, which would have brought about a more central jurisdiction within the Department on matters dealing with labor.

Attacks Smoot-Hawley Tariff

Following the enactment of the Smoot-Hawley Tariff Law of 1930, and the inauguration of a Democratic Administration in 1933, Congress enacted a program for Reciprocal Trade Agreements, in an effort to soften the inequities and exorbitant tariff duties provided in that law, and open up the doors for the resumption of international trade.

This law has been in existence for 14 years. It had been renewed and extended four times prior to the assembling of the 80th Congress. The majority of Republican members of both Houses of Congress voted against its enactment and its extension except for one extension during the period of the recent war.

When the law expired on June 12, 1948, the House of Representatives passed a makeshift extension of one year, intended and calculated to destroy the whole Reciprocal Trade Program. It provided that no agreement could go into effect until it had been approved by the Congress itself, a provision which had never been included in the trade agreement laws previously enacted.

This bill was somewhat modified in the Senate, but both Houses refused to extend it beyond the one year limit, because they wished to turn their faces back toward the days of 1930, the

days of log-rolling and back-scratching in the making of tariff laws dealing with our trade with foreign nations.

Even in the extension of one year provided for in the recent session of Congress, the President is powerless to go beyond the recommendation of a bi-partisan Tariff Commission, which means in fact that during this one year's extension there will be no new trade agreements entered into.

Betrayal of U. S. Obligations

This is a tragic betrayal of our obligations, not only to the American people, but to the world. In our legislation providing aid for the recovery of Europe, we required every nation receiving this assistance to enter into similar agreements with other nations, to level off, in part, the barriers to trade that have stifled commerce, thrown labor out of employment, and contributed to the frictions which have brought war and devastation to the world.

A "Grundy Convention"

In the enactment of the Smoot-Hawley Tariff Law of 1930, I recall the influence of the Pennsylvania Manufacturers Association. I recall the dominating influence of Mr. Joseph R. Grundy, then head of this Association. He came to Washington and did his work. He did it well. He succeeded in procuring the enactment of the highest traiff barriers ever raised against international trade in the history of this or any other nation.

After accomplishing the creation of this legislative strait-jacket, he apparently disappeared like some sunken river from the surface of the earth, until the assembling of the recent Republican Convention, when he reappeared with all his power, influence, and skillful manipulation in behalf of candidates, platforms and policies. He so dominated that Convention that it has been designated by some of the press as the "Grundy Convention."

We are told by the press and the radio, and it is common knowledge, that the pilgrimage of the Senator from Pennsylvania to the headquarters of the Governor of New York was inspired by this old hand at tariff manipulation.

We know from the press and the radio, and the general knowledge which is common to us all, that he exercised great influence in, if he did not actually dominate the selection of the new Chairman of the Republican National Committee. This seems to have been the first instalment of the pay-off. What future instalments will turn out to be, only the future can reveal.

The American people may have been surprised at the selection of the new Republican Chairman for the approaching campaign. But it is revealing to recall that this Pennsylvania Congressman, back yonder in the year 1943, expressed his political philosophy and the reasons for his belief that the Republican Party deserved to be returned to power in these United States. "It is time," said Mr. Hugh Scott, "for the Republicans to take over. We are the best stock. We are the people who represent the real grit, brains, and backbone of America."

In this manner the new Chairman of the Republican National Committee modified and modernized, from a Republican standpoint, the views of Abraham Lincoln, who, in his famous Gettysburg address, asked only for a government "of the people, by the people, and for the people."

The new Republican Chairman insists that it must be a government of the best people, by the best people, and for the best people. This is a resurgence of the ancient Hamiltonian doctrine that only the rich, the well educated, and the well born are qualified to participate in government in these free United States. Obviously, this will be the pattern of the Republican appeal to the American people.

"All hail the power of Grundy's name,
Let candidates prostrate fall,
Bring forth the Republican diadem,
And crown him Boss of all."

The Republican Platform

It would be a futile process to waste time seeking to analyze the newest Republican national platform. It was appropriately described by the Senator from Massachusetts, who was Chairman of the Republican Resolutions Committee, when he said, "It is a tent big enough for anybody to get under."

But soon after he was nominated upon it, the Republican candidate for President announced that he would inaugurate the greatest housecleaning ever seen in Washington, if he should be elected.

We have, from time to time in the past, been promised or warned of other housecleanings, and the American people will recall in some recent Republican history the type of housecleaning they got.

The Republican nominee has also announced, with characteristic finality, that he proposes to clean the cobwebs from the government at Washington, as he has cleaned them from the government at Albany, following long tenure of Democratic administrations at both places.

I am not an expert on cobwebs, but, if my memory does not betray me, when the Democratic Party took over the government of the United States 16 years ago, even the spiders were so weak from starvation that they could not weave a cobweb in any Department of the Government in Washington.

However, whatever the platform may or may not promise, whatever the candidate may or may not stand for, we have, in all this confusion and vague atmosphere of promises and threats, one clear true clairon call. They are going to eliminate all the bureaucrats in Washington.

Congress creates a Bureau in some Department, like the Bureau of Internal Revenue in the Treasury, or the Bureau of Reclamation in the Interior Department, or of Soil Conservation in the Department of Agriculture, or the Bureau of Foreign and Domestic Commerce in the Department of Commerce, or the Bureau of Yards and Docks in the Navy, or the Federal Bureau of Investigation in the Department of Justice. Some able and sincere American is appointed as the head of one of these bureaus, and he is immediately denounced as a bureaucrat, and the Republican politicians swear by all the gods of justice and economy they will eliminate him from the payroll as a barnacle upon our ship of state.

Definition of Bureaucrat

What is a bureaucrat? A bureaucrat is a Democrat who holds some office that a Republican wants; and the only sort of housecleaning you will get in Washington, in the event of a Republican victory next November, will be the changing of the political complexion of those who hold the offices.

The fourth article of the current Republican platform quotes Abraham Lincoln. The Republican politicians and leaders have not been closer to Lincoln in two generations than to quote him. But they did quote him in their platform, where he said:

"The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty and we must rise with the occasion. As our case is new, so we must think anew and act anew."

This is a precise description of the conditions which faced this country 16 years ago, when the Democratic Party accepted the responsibility of charting a new course for our domestic and international economy.

We found that the dogmas of the quiet past were inadequate to the stormy situation which then confronted us. The occasion was piled high with difficulties, and we sought to rise with the occasion. As our case was new, we thought anew and acted anew.

The International Crisis

Let us apply this principle to our present international situation. There can be no question that the unaccustomed remedies which the Democratic Party applied to this new situation in America contributed largely to the ability of our Government and our people to mobilize the moral, spiritual and economic forces of this great people to bring about the success of the Allied Nations in driving back Hitlerism and its particular form of totalitarian tyranny.

We had not wished to be drawn into the great conflict which he precipitated. For more than two years we sought to avoid involvement, just as nearly a generation before we had sought to avoid involvement in World War No. 1. But notwithstanding these efforts to remain aloof from the conflict, the question constantly arose, before we became involved, as to the extent of our preparation and our readiness for the conflict, if it should be forced upon us. This involved Selective Service, the repeal of embargoes, and the arming of ships. It involved Lend-Lease in aid of those who were fighting for liberty across the seas.

I do not wish now to dig up the dead bones of past history, but if the American people will refresh themselves by referring to the record of Republican votes in both Houses of the Congress on all these measures, they will find a revealing consistency in opposition to every measure calculated to prepare our country for the blow and to soften its impact if it should be inflicted.

Forced Into World War II

We were drawn into the second World War because of events familiar to us all. We mobilized every element of our population and of our economy, and in this mobilization Republicans vied with Democrats, high and low, in the service of their country. We claim no partisan credit or merit because of this universal all-out crusade against world enslavement. But, it is the truth of history to say that these efforts were guided by an Administration headed by a great American, who inspired his countrymen to total devotion and total sacrifice in behalf of our country and a democratic world.

This man rests in the peaceful atmosphere of a quiet grave at Hyde Park. Some Republican orators of questionable taste seem to fear his spirit now, as they feared the force of his personality when alive.

Neither their prejudiced minds nor their forked tongues can rob him of the eminence which he will occupy in the history of America and of the world.

It has been three years since the end of hostilities. In these circumstances, we have been compelled to assume the leadership and the greater responsibility for the preservation of peace, the occupation of conquered territory, and the inauguration of the processes by which a peaceful world might be restored to mankind.

Neither Peace nor War

Unfortunately, these three years have not brought peace. We have neither peace nor war. The world situation has reached a position where intensity of feeling and spontaneity of conduct might easily precipitate armed conflict.

Our Government, through the President and the Secretary of State and all other responsible agencies, including a majority of the Congress, have sought to adjust the differences and adopt a foreign policy that would preserve our own integrity, guarantee our own security, and ultimately bring peace to a distraught world.

In this effort, eminent and able and patriotic Republicans have shared the responsibility and have aided us in keeping our foreign policy out of the mire of partisan politics and upon a solid basis of justice and equity in world security.

It was through the initiative of our Government that the United Nations was established. We have sought to strengthen it, and pledge ourselves to continue the effort.

It was through our initiative that the World Bank and the World Monetary Fund were created to stabilize monetary currencies and stimulate reconstruction among the devastated nations and economies.

It was through our initiative that various international organizations, subordinate to but a part of the United Nations set-up, have been inaugurated to further these indispensable objectives.

It has been through our initiative that conferences have been held among the peace-loving nations, not only of Europe but of the Western Hemisphere, in an attempt to solidify the democratic world against further totalitarian aggression.

It was through our initiative that the greatest international effort at economic, moral, and political stabilization in the whole history of mankind was undertaken. It was first called the Marshall Plan, then the European Recovery Plan, and now the Economic Cooperation Administration, enacted by the Congress of the United States at the urgent request of the President and the Secretary of State and the American people. And it is a strange coincidence that at the recent Republican Convention no mention was made of the Marshall Plan, as such, by anyone who pretended to speak for the Party then in solemn conclave.

Senator Vandenberg Praised

In this effort, however, eminent and able Republicans like Senator Vandenberg, Chairman of the Senate Committee on Foreign Relations; Congressman Eaton, Chairman of a similar committee in the House of Representatives, and many other members of both Houses of Congress, and millions of others, regardless of politics, throughout the nation, have set in motion the power and the agency through which the devastated nations of the world may bring about their own recovery, and move forward then under their own steam in an endeavor to bring about happiness, prosperity and stability in every field of human effort within their respective boundaries.

I rejoice, and we all rejoice, in the great contribution made to this universal purpose by these men who subordinated their partisanship to the welfare of their country and of the world.

But this achievement has not been accomplished without obstinate obstruction on the part of responsible men in the Congress of the United States. This is particularly true in the House of Representatives. I need not repeat the efforts of the Republican leaders of the House of Representatives and their allies, to whittle away the recovery program until it should become a mere shadow of its original self, and descend to the level of a mere relief measure.

I need not refer to the actual sabotage of this great program by the reduction of 26% of the amount which Congress has set as a practical minimum in the requirements for the first year of its administration. Fortunately, in the Senate Republican leadership helped to retrieve most of the losses sustained in the efforts of the House of Representatives to break faith with our people and with the people of the world, and in this accomplishment we may all rejoice without regard to political affiliations.

But this program has only begun. The same men will be in charge of that branch of the American Congress in the event of Republican victory. The American people must make up their minds whether they wish to take the chance of greater success on their part in the days to come in their sabotaging enterprise.

People Must Decide

The American people must decide whether they wish to take the chance and assume the responsibility of denying our influence and power and resources, made available not only to win the war but also to win the peace, in holding back and driving back the forces of a new totalitarianism, which may be more ruthless and sinister than that which we defeated on the battlefields of the world in 1945.

The Republican platform undoubtedly attempts to repudiate the efforts of this wrecking crew in one of the branches of Congress, but if they are successful, will the new administration repudiate their efforts in the coming sessions of the Congress and during the four-year period covered by the law which Congress overwhelmingly adopted?

We rejoice to believe that in this great venture we are actuated by no selfish motive, except that which consumes the breast of every liberty-loving human being to live in peace, to advance in moral stature, intellectual breadth, economic freedom and political equality throughout all the nations of the world.

U. S. Objectives

We seek no territory. We seek no unjust economic advantage. We seek no dominion over the peoples of other countries. We do seek to enable them to restore the liberty for which they have fought for generations, and which many of them have lost.

We do know that our nation cannot long remain free, if the rest of the world is in bondage.

We do know that our people cannot long remain prosperous, if the balance of the world is prostrate.

We do know that the liberty-loving nations of the world must ultimately rise or fall together.

We do know that whether we wished it or not, the leadership in this great enterprise has been thrust into the hands of our people and of our Government.

Shall we hold the torch and move forward with it, or shall we march back down the hill and blast the hopes of peoples everywhere, including our own country, and allow the world to sink into a long dark night of barbarism, brutality and godless overlordship from any source in any part of the world?

Jefferson's "Inalienable Rights"

This question the American people must answer. May we hope that they will answer it in the language and the spirit of Thomas Jefferson, the founder of American democracy to which we have been devoted for more than a century and a half.

In the Declaration of Independence, Jefferson wrote these immortal words:

"We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are Life, Liberty and the pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed."

In declaring these truths to be self-evident, Jefferson meant that

(Continued on page 34)

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market awaiting results of Democratic confab. Continues to act well. Hold all long positions.

* * *

This isn't going to be much of a column because where I am columns don't come easy. In case this sounds like a mystery, let me clear it up. I'm on my way to the Southwest to see what I can see about things I'm too far away from to see clearly.

* * *

For all I've missed of the market by being away from New York I might just as well have gone away a lot sooner. Last week it looked as if the market needed just one little push and up it would go. Well, apparently the little push wasn't forthcoming, or if it was it wasn't enough to get the tape started in the right direction.

* * *

The current stumbling block seems to be the Democratic convention. In listening to my radio I hear all the palaver and the so-called "spontaneous" demonstrations. It is now possible that nothing will happen of importance in the market, one way or another, until the current Democratic huddle is over.

* * *

But disregarding the outside factors and sticking to the market itself, the picture I drew for you last week hasn't changed. The only thing wrong with it is the timing.

* * *

The ability of stocks to stay up where they are and nibble at offerings cannot be shrugged away. There are days when the signals point the other way. But just as soon as they seem ready to be confirmed something happens — a lull, or a drying up of volume, and the next move is up again. True, none of this advance has been marked by any enthusiasm. In fact the lack of enthusiasm is in itself a good feature. A too immediate hurrah could conceivably upset the market at present. The conclusion is that the longer it stays where it is, backing and filling, the better chance it will have to advance when it really gets started.

* * *

You still hold the following stocks. The purchase levels and stops follow: **Anaconda** at 32½, stop 37; **Avco** at 4½ (no stop); **Bethlehem Steel** at 31, stop 36; **Dresser** at 22, stop 27; **Lockheed** at 15, stop 20; and **United Aircraft** at 15, stop 27½. There is little reason for giving any profit taking points at this time. They'll hold until I get back to my desk. Meanwhile just hold on. If the market breaks the stops will take care of you. If it goes up then you've got insurance.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Business Man's Bookshelf

Travel Regulations—for certain foreign countries — brochure—Foreign Department, The First National Bank of Chicago, Chicago, Ill.—paper.

Wool Tariffs and American Policy—Donald M. Blinken—Public Affairs Press, 2153 Florida Avenue, Washington 8, D. C.—cloth—$3.00.

Canada Sells Bonds To U. S. Companies

The Canadian Government announced July 13 the sale of a $150,000,000 issue of long-term bonds to private investors in the United States.

The bonds carry a 3% interest rate, mature Aug. 1, 1963, and are payable in U. S. dollars. They were sold at par to Prudential Insurance Co. of America, Equitable Life Assurance Society of United States and Metropolitan Life Insurance Co. through Morgan Stanley & Co.

Finance Minister Douglas Abbott explained that the proceeds would be used to repay Canada's drawings of $140,000,000 on credit arranged with Export-Import Bank at Washington last fall and the remainder will serve to increase Canada's dwindling U. S. dollar reserves.

Heintze With Boettcher Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — William Heintze has become affiliated with Boettcher and Company, 828 17th Street, members of the New York Stock Exchange. He was formerly with Otis & Co.

With Inv. Service Corp.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—Jacob V. Hoagland has been added to the staff of Investment Service Corporation, Security Building.

"New Deal" Accomplishments

(Continued from page 33)

they were not subject to dispute, not to be submitted to a jury or a political convention, not to be subject to compromise or evasion or subtraction.

They were self-evident, so much so that all men could accept them who believed in the freedom of men and the freedom of thought. "All men are created equal," said he; not physically, morally, financially, socially or intellectually equal, because there are inevitable variations in all these qualities and attributes of men. He did not proclaim that all white, or black, or red, or yellow men are equal; that all Christian or Jewish men are equal; that all Protestant and Catholic men are equal; that all rich or poor men are equal; that all good or bad men are equal. What he declared was that all men are equal; and the equality which he proclaimed was equality in the right to enjoy the blessings of free government in which they may participate, and to which they have given their consent.

"Consent of the Governed"

He declared that all governments derive their just powers from the consent of the governed. He applied this doctrine, not only to the people of the United States, but universally to the people of the world. This immortal doctrine of the Sage of Monticello, who wanted to be remembered not by what the people had done for him, but by what he had done for them in the establishing of political, religious and intellectual freedom, has never ceased to be the true ideal of the American people.

No genuine believer in the Jeffersonian philosophy is at liberty to deny the worldwide application of this immortal proclamation, born of the conditions which were the foundation of American independence. No true follower of Jefferson is at liberty to withhold from our own people, or the people of the world, the hope that they may enjoy that life, that liberty, and the pursuit of that happiness, upon which our own and all free institutions have been and must be founded throughout the world.

Surely the great Democratic Party, assembled here in the midst of a great crisis that confronts mankind, assembled here at the end of a decade and a half of unparalleled achievement in the moral, economic and social life of our own country, in the midst of a world upheaval unprecedented in the annals of history, assembled here in the shadow of the historic hall where Jefferson wrote these things, surely, in these conditions neither the great Democratic Party nor the American people can foreswear their obligation to march forward on the highway of human advancement, both here and throughout the world.

No Partisan Call

This is no partisan call. This is no appeal for the lusts of office. This is no panoply of sophistries made to perpetuate or deny power to any political party. It is the swelling of human breasts with pride that God in His wisdom has given us the power and the opportunity to inaugurate a better world and a better society.

And, if we sometimes quibble over the expense in dollars, consult our fears alone, prefer to be tied to a hitching post of reaction, or are prompted to ask ourselves the question, what is it worth to us, may I answer in the language of a quotation from the Book of Books:

"What shall it profit a man if he gain the whole world and lose his own soul?"

What shall it profit a nation if it gain the whole world, the world of economy, the world of territory, the world of power, and lose its own soul?

What shall it profit a political party if it gain power or temporary prestige or office or the spoils of political preferment, if in the process it shall lose its own soul?

I do not deign to answer these questions. The American people must answer them. Let us pray to the Giver of all good that their answer may be true and sound, and that out of their answer may come the healing of the nations and the restoration of the dignity of man in the pursuit of every legitimate ambition, without regard to language, or geography, or race, or creed, or condition.

This is the democratic ideal, not a partisan ideal. It actuates the minds and hearts of most of the people of the earth. Let us dedicate ourselves here and now, and in all the future, to its realization and its permanent enjoyment.

A Call for Service

In the 20th verse of the third chapter of Revelations is to be found a superb call to service, which has come across the centuries from the lips of the Soncrowned Man, who walked his way into the story of humanity:

"Behold, I stand at the door and knock. If any man hear my voice and open the door, I will come in."

May we emphasize the meaning and the significance of this call in the present position of world affairs, in the present obligations of the American nation, in the overwhelming challenge that comes to American leadership.

May we not apply this call to our present relationship to the world?

Behold, civilization knocks at the door!

Behold, the assembly of unnamed and unnumbered men and women who yearn for peace knocks at the door!

The validity of Christian principles of human society knocks at the door!

The rap of countless dead, who died on battlefields, in every sky, on every continent, on every island, and every sea, to perpetuate these principles of equality and justice of which I have been speaking, is heard knocking at our door of opportunity!

The knock is heard of countless women throughout the world, whose locks are blown over their shoulders by the wind of adversity!

The gentle touch of tender hands of millions upon millions of children, who long for happiness and education and the full life, can be heard upon the door!

Destiny itself knocks at our door in behalf of all these and more!

Shall we hear the voice and open the door, or shall we slam it in the face of an appealing world, turn our backs upon a divine obligation and refuse to lead the children of men out of the bondage of fear and slavery into a free world and a free life?

As one who, for a generation, has watched the ebb and flow of human hopes and aspirations, and has seen civilization upon the brink of the precipice and the crumbling away of the liberties of the people in many lands; as one who has lived and served through two World Wars and the aftermath of both, and the interim between them; as one who has stood by the side of Wilson, of Roosevelt and of Truman, to make his humble contribution to rescuing the things by which men wish to live, and for which they are willing to die, may I utter this humble prayer:

God of our fathers, lead Thou us on. As a nation, as a people, and as an assembly of people, give us wisdom to see the path of our duty, and courage to keep our feet upon it. Amen.

Federal Appropriations and 80th Congress Economy Program

(Continued from page 11)

by ruthless aggressors. This additional sum was almost unanimously voted by the Congress despite the reluctance of the Administration to recognize the immediate necessity for the creation and continuing support of a 70-group air force as a minimum peacetime security essential. Thus, once again, as in the months immediately preceding the last war, the Congress insisted upon an augmented and more adequate program of national defense.

At the time that I presented the National Defense Supplemental Appropriation bill for action by the Senate I stated:

"By our action upon this bill, we shall help to determine what weapons this country will have at its disposal in the period 1951-53. We are warned that it is in that period that Russia may have erased the great military advantage which we now hold by virtue of our exclusive possession of the atomic bomb.

"The question before us is, at that future date, when our monopoly of atomic weapons may be reduced to preponderance or even to equality, what physical guaranty of this country's security is to exist in its place? In one sense the action which we take is conclusive and irrevocable, because if the Congress should determine not to provide the means for commencing now the procurement of weapons and the training of units for a possible crisis in 1952, we shall have determined beyond recall that weapons and units which take four years to produce and train shall not be ready at that future date. In another sense, our action is not conclusive and irrevocable, because if we do now appropriate funds adequate for the so-called 70-group air force program, we shall still retain the power to review subsequent appropriations for this program. If, by some happy, unexpected turn of international affairs, the tensions which now hold the world in the grip of fear should be relaxed, this program could be abandoned or reduced and further drains upon our resources eliminated."[1]

Of the balance of the contract authorizations voted, the largest single increase is for the National Military Establishment, amounting to $160,000,000 and directly related to the national defense needs of the country. Reductions in other bills account for the final net increase overall in contract authorizations as compared with budget estimates.

In the light of the circumstances described above, it is contended that Congress succeeded in making a proper determination of the limits beyond which the Federal Government could not be committed for future appropriations in payment of contract authorizations.

Obstacles to Economy

I personally, as Chairman of the Senate Committee on Appropria-

[1] *Congressional Record*, p. 5532. The entire text of this speech appears on pp. 5531 ff. of the May 6, 1948 *Record*.

tions, and many others, sincerely wish that the budget reductions might have been considerably larger. However, before any judgment is passed, it will be wise to recall some of the obstacles that stood in the path of greater economy.

Foremost among these are those commitments of the government which we felt obligated to honor. The interest on the national debt of $5,250,000,000; the necessity for augmenting our armed services for which $11,400,000,000 was appropriated; the cost of foreign aid, amounting to over $6,000,000,000; our veterans' assistance programs, aggregating another $5,000,000,000—these are appropriations from which only a small per cent of reduction could be struck from the Budget estimates.

Previous Commitments Hamper Cuts

There are other categories of spending which are more or less obligatory. One of these is in the field of contract authorizations by which previous sessions of the Congress have authorized the letting of contracts which must be paid in this present Congress. We have no choice in this matter.

Then there are these measures which, through laws enacted by previous Congresses, morally commit the present Congress to appropriate funds in payment of promised subsidies, for grants-in-aid, and for programs in which the Federal Government matches state funds.

For example, in just one bill, the Supplemental Federal Security appropriations measure, of the total Budget estimates of $993,708,460, public assistance grants amounted to $797,000,000 or 80%; public employment and unemployment compensation grants amounted to $145,650,000 or another 14.6%; maternal and child welfare grants amounted to $22,000,000 or another 2.2%, and mental health grants amounted to $11,401,000 or another 1.1%. Thus, roughly $976,000,000 of the $993,000,000 Budget estimate—or 98%—represents grants to states for various purposes. Unless the basic laws are altered, the Congress cannot make large-scale reductions in these items without impinging on commitments of previous Congresses. This also applies to a greater or lesser degree to most of the appropriations measures and is thus an important consideration in determining reductions in appropriations.

"Deficiencies" in the Appropriations Process

Again this year, as was true last year, the Appropriations Committees have been plagued by a vast number of deficiency and supplemental appropriations measures. The total number of such items considered by the Senate Committee on Appropriations came to 586. And just as I did last year, I feel it my duty to call to the attention of the Senate the flagrant misuse of this device by the Executive agencies in order to receive additional funds for which adequate amounts had been appropriated previously. The use of deficiency appropriation requests in time or matter of emergency is justifiable and proper. The misuse and abuse of this method, as is being practiced yearly by government agencies, is both an affront to the Congress and a constant danger to the nation's financial balance. It is next to impossible for the Congress to prepare a Legislative Budget which can have any final validity if from the beginning of the session until the end, the very last day of the last week, as has happened this year, we are confronted with new and revised appropriation requests.

This last-minute jam of supplemental and deficiency appropriations has complicated work of this Congress immeasurably. I cite the situation because it has interrupted the work of the Senate Appropriations Committee whose problems have been increased unnecessarily by the irresponsible budgetary practices of many of the departments and agencies of the Executive branch.

Year after year they indict their own administrative management with frantic requests for supplemental and deficiency appropriations. Is our Federal budget process a loose-leaf binder to which new pages of spending can be capriciously added at will? Why go through the sham of a budget at all if departments and agencies can spend the people's money without heed to budget limitations because they know they can put in for supplementals and deficiencies when they have exceeded their limits?

Instead of a budget message from the President which constitutes a firm financial program for the anticipated needs of the fiscal year that lies ahead, the Congress is faced with the necessity of considering a series of new requests including many items that were not presented in the original budget document.

Taken together, these supplemental requests constitute disjointed after-thoughts on the part of the agencies. To be specific, even while we were holding the final session of our hearings on the final appropriations measure before our Committee, the Bureau of the Budget was working overtime preparing deficiency messages and forwarding them to our Committee for consideration. And I do not doubt that the agencies have in the Bureau of the Budget a great many other petitions for additional funds which the Bureau of the Budget has not yet had an opportunity to pass on to the Congress.

This is hand-to-mouth budgeting and bad management. It assumes that every day is budget day. It shows a complete lack of administrative planning and absence of an integrated budget program. It defeats economy and makes a farce of serious and sincere efforts to work for it.

Long-Range Financial Perspective Needed

Nor is there any good reason why the exact amount of money that will be required in terms of appropriations cannot be determined by the Government when it is enacting the basic legislation authorizing these expenditures.

This will probably necessitate the creation of a governmental device comparable to the Legislative Councils that now exist in many progressive states. The government would be considerably aided by studies and analyses of all legislation, both existing and proposed, that involves appropriations of public funds. When bills are offered, there is a crying need to know their fiscal implications.

Much of the legislation presently on the books has never been fully analyzed. No one has the slightest conception of the interrelationship and effect of similar or possibly conflicting pieces of legislation. No one has the remotest idea as to the ultimate costs of long-term legislation.

Barring the possibility of establishing such a council, it is my suggestion that every committee of the Congress could help the situation greatly by making an estimate of the immediate and overall fiscal impact of each bill that is reported. Both the Congress and the people want to see where we are heading financially.

Inflated Budget Requests

Frequently agencies of the government, realizing that their appropriations may be sharply reduced, present grotesquely inflated requests. For example, the individual units of the armed forces, in making their estimates for new military construction, compiled a total construction request of about $2,000,000,000. In all fairness, it must be said that the services themselves recognized the ridiculous nature of this claim and very sharply curtailed their request before sending it to the Bureau of the Budget.

Agencies Fail in Attempts to Determine Needs

Still another difficulty in reducing appropriations to rock-bottom figures is the inability on the part of the agencies and the Bureau of the Budget to determine their actual needs.

Federal agencies frequently exhibit an apparent disregard for even the most ordinary attempts of economy. Consider just one field—housing. The Governor General of Panama came before the Senate Appropriations Committee recently and asked for funds for experimental houses for Americans in Panama. They would cost up to $25,000 a family unit. Other testimony revealed that quarters for housing Army families in Alaska exceed even that amount, in some cases reportedly running as high as $74,000 per family unit. Multiple-unit housing projects for the Atomic Energy Commission at Oak Ridge, Tennessee, run over $16,000 per family unit. With due regard to geographic difficulties, it does not seem desirable nor necessary that the Federal Government should squander funds at excessively inflationary levels to provide housing for government personnel, particularly when thousands of veterans are still searching frantically for adequate housing.

Even the Office of the Housing Expediter has a housing problem. They testified recently that the Public Buildings Administration forces them to move at least one of their offices every month, and in one instance forced them out of one office and then six months later pushed them back into exactly the same office space. This one move cost several thousand dollars.

Our Expanding Payroll

One of the largest factors in the overall cost of government is the compensation of employees, i.e. labor. It would normally be expected following the expansion attendant upon a great conflict such as World War II that the Federal payroll would show a consistent decline. Before the war we had fewer than a million Federal employees, but during the war the total rose to more than 3,700,000.

As of the latest date available, there were over 2,000,000 Federal employees. More recently, under one pretext or another, the Federal payroll has been increased every month in spite of the efforts of the Congress to call a halt to a further increase in Federal employment. Through a series of manufactured emergencies and the pretense of greater responsibilities the Executive Branch has sought to justify an increase rather than a decrease in the total number of Federal workers. For example, in the month of April a substantial number of new employees was hired for new jobs, and this new recruitment was not confined to one or two agencies which could point to special seasonal needs but occurred in a large number of the agencies.

Recently the House Committee on Post Office and Civil Service issued a statement exposing the Federal agencies for attempting to soak up unused 1948 appropriation grants by loading the payrolls. This same committee determined that Federal employees engaged in the specialized field of personnel work had increased in seven years from 6,721 to 24,288, an almost four-fold increase, although total employment in government service has only doubled.

Some time ago I was informed that a Federal job seeker would have to go over 175 offices to file his application for a position in the larger government agencies and bureaus here in Washington. Perhaps that explains why in one small agency alone there are 113 different steps in personnel placement although not a single one of these involves the actual hiring and firing of an employee.

It is indeed shocking to learn that the greatest government on the face of the earth can not manage its personnel more efficiently. This is a continuing problem for the Senate Committee on Appropriations because every unnecessary employee constitutes a burdensome and unwarranted drain on the taxpayers of this nation and means the expenditure of funds for unproductive work. In a government of this size it is not possible to detect and to eliminate every trace of nepotism and payroll padding, but so long as I am Chairman of the Senate Committee on Appropriations it shall be my endeavor to restrict the granting of funds to provide for only the soundest kind of personnel management in the government's service of the people.

Unification versus Economy

When the armed services were before the first session of the current, or 80th Congress, urging the need for unification, one of the strongest arguments in favor of such a radical departure from the traditional independence of the several armed services was the notion that great economy would result. Congress heeded this plea, but the promises made so freely last year have yet to be redeemed. Instead of less, we are asked to appropriate more for a unified national military establishment, and all indications are that future sessions of the Congress will be called upon to make even greater appropriations for security purposes. In my judgment the armed services generally are very remiss for not having made even a slight start in the direction of achieving any of the economies they so loudly promised when the subject of unification was in the pending legislation stage. Instead, it is to be questioned whether the Department of National Defense is not merely to date a costly superstructure imposed upon the previous departments with no real unification yet discernible.

I personally, and I believe the Congress, expect definite savings as a result of unification. Evidence of these savings should begin to be apparent this year. Next year's budget for the armed services should indicate substantial progress in the direction of real and lasting economy.

Unusual and Costly Interpretations of the Law

Sometimes an unusual or unlooked-for interpretation of a law involves widespread unnecessary expenditures. This is particularly true of certain training activities of the Servicemen's Readjustment Act which, while justified on occupational training grounds are not justified on the basis of hobbies or leisure-time activities. These activities, which are now under scrutiny by the Bureau of the Budget, involving avocational and recreational purposes, the costing the government more than $200,000,000 a year.

The methods by which Federal funds can and are squandered seem as endless as they are unique. Perhaps the photographs taken by the Farm Security Administration are the prize of the lot. These inane pictures—150,000 of them, costing the government $750,000—were displayed on this floor recently and contained such intriguing titles as "Men Picking their Teeth" and "Jack Dwyer taking off his coat in a saloon." I have in my files another agricultural masterpiece, a booklet which discusses the sex of a watermelon. Still another gives the fascinating details on fleas in North America.

Again this year we have been faced with the necessity of passing a large amount of appropriations legislation without sufficient time to examine many of these measures with the thoroughness desired. This deplorable situation is not attributable to any individual or group of individuals; rather it is occasioned by the intricacies of the legislative system; the immensely increased size of the government in recent years; the refusal of many of the agencies to limit their Budget estimates to their actual needs; our emergence as a great world power, with all its implications; our pressing problems of postwar readjustment at home.

All of these have combined to place a tremendous load on the Appropriations Committees. Because of these factors, hearings are necessarily longer and more thorough, yet many of the actual hearings of the Senate Appropriations Committee are crowded into the final weeks of the normal session. I regard it as highly essential that some method be evolved by which the Senate Appropriations Committee be enabled to destribute its hearings more equally during the course of the session.

Economy Achievement Outstanding

Considering all these circumstances, I view the economy achievement of the present session as remarkable, indeed. The urgent necessity for increased spending in certain fields, such as for our armed forces, was all too apparent. Demands for new government assistance have increased alarmingly. Strong, militant pressure groups have had their effects. This Congress, perhaps more than any previous peacetime Congress, has been beset on every side in new ways to spend the people's dollar. In view of the present inflationary trends, this was undeniably harmful to our economy.

It was not without justification that the Joint Committee on the Economic Report said last January:

". . . our people and our government, both executive and legislative, may well be critized for trying to carry on at the same time so many huge programs as those represented in our expansion of business transactions, our expansion of residential housing, our support of veterans' education and rehabilitation, our government public works program, our huge military establishment, and our economic support of free peoples throughout the entire world. Liberal credit policies on the part of private and public agencies alike, and the maintenance of low interest rates have encouraged the expansion of these programs. We do not intend to criticize these programs or question their desirability. We merely point out that the attempt to carry them all on at once, with very little restraint in the field of consumer spending and liberal credit policies, is the basic reason for inflation, which otherwise could hardly coincide with a large government surplus."

Fortunately we have been blessed with another year of unprecedently large revenues from which to pay our expenditures, which are still outrunning our appropriations. Because of this we have been able to reduce both the debt and taxation. The hour may not be too distant when these revenues will be shaply reduced. Should that hour arrive, our Federal structure will be forced to recognize new demands for public expenditures. It must not find our fiscal condition weakened through wasteful and extravagant spending. For this reason, while I applaud the accomplishments of those who wish to economize, I exhort them to continue these efforts with renewed vigor in the future.

Straight From the Shoulder Advice For Governor Dewey

(Continued from page 11)

given the ambassadorship at the Court of St. James's or be continued as Governor Dewey's personal legal advisor on international affairs, acting in somewhat similar capacity as the late Harry Hopkins, who was Franklin D. Roosevelt's special intermediary with the European powers.

Sumner Welles—Career Diplomat

If there is another man in the United States who has first hand familiarity and experience with international problems, it is Sumner Welles, former Under Secretary of State, who, unfortunately, was shelved by Mr. Roosevelt because of a personal difference with Secretary of State Cordell Hull. For months, following his withdrawal from the State Department, this career-diplomat's talents have been wasted while the Department has gone on muddling our foreign policies. Sumner Welles, in the opinion of many Republicans and Democrats, would be equal to any demand that his country makes of him in foreign affairs. It has been apparent to observers that Mr. Welles' trained diplomatic mind has been sadly missed in the State Department to the same extent that the abilities and experience of Winston Churchill have not been available to the British Government in its ill-fated attempts to cope with Britain's world problems.

Other Cabinet Possibilities

A word or two more about other possibilities for Cabinet appointments. In order to give to Governor Dewey's Administration a truly bi-partisan character, what more competent man could be selected for Secretary of Defense than General Eisenhower or General MacArthur? For Secretary of Navy, Admiral Ernest King or ex-Admiral Halsey or ex-Admiral Nimitz. For Secretary of the Treasury, Mr. Winthrop W. Aldrich, Chairman of the country's largest banking institution, or Senator Harry Flood Byrd, and Jesse P. Wolcott for the Interior Department or the Commerce or Labor Department.

Contrary to tradition, as a reward for campaign efforts, we hope that Governor Dewey will not put his campaign manager, Mr. Herbert Brownell, in the Postmaster General's berth. Senator Ives could fill that job 100%. Then again, Mr. Dulles may like to be the Attorney General and General George C. Marshall should by all means be retained in the Cabinet as head of the Department of Aircraft or given some other useful office.

Governor Dewey has other personnel material available which his countrymen would like to see him use, not to name any other gentlemen than Senator Leverett Saltonstall and young Senator Henry C. Lodge and Senator Raymond E. Baldwin, all exceptional and coming men who might be considered for the Commerce and Labor and Agricultural Departments.

Taft, Vandenberg, Dulles, Forrestal

Of course it goes without saying that a gentleman and a good sport like Senator Robert A. Taft can be depended on to enact Governor Dewey's Administration policies in the Senate if his recommendations warrant and meet with majority support. Senator Arthur H. Vandenberg will "father" our Peace Settlement efforts, the E. R. P. and the United Nations in committee and on the floor of the Senate.

Both Senator Taft and John Foster Dulles should be offered vacancies in the Supreme Court if their preferences follow that direction.

It would be a culmination to a great public career if Senator Taft could follow in his illustrious father's footsteps as Supreme Court Justice.

War Defense Secretary James Forrestal's well known abilities should be utilized somewhere along the Administration line.

Pre-election Promises

We have heard with approval Governor Dewey's pre-election promise to "clean house" in Washington, the wholesale elimination of many useless job holders among the 2,000,000 to 3,000,000 Democratic henchmen in government departments and bureaus; but we sincerely hope that it will not be another case of "the Devil sick, a Saint would be; the Devil well, a hell of a Saint was he" —or just a replacement of Republican "mollusks" on the taxpayers' payroll.

A Statesman in the White House

For a change, the country would like to see a *statesman* in the White House and not just another *politician*. A man who is bigger than his party—a free acting and free thinking American who will speak and act on his own independent judgment without giving thought to party considerations.

Yes, what a political metamorphosis it would be to the young and old of this rather cynical generation to know that our next President and his Administration will conceive and view all public questions in a dispassionate, nonpartisan manner, devising methods and procedures of government not for the benefit of a particular party or to curry the favor of minority pressure groups, but to act and work exclusively for the welfare of all the 145 million souls who are AMERICA!!!

If Governor Dewey elects to be a free and independent President of all the people, the Dewey name will rank with the most illustrious patriots and statesmen in our country's history—the Washingtons, Jeffersons, Lincolns, Benjamin Franklins, Grover Clevelands, Woodrow Wilsons, Robert E. Lees and the Ulysses S. Grants!!

Courageous leaders both in and out of public life, like the Edisons, Henry Fords, Alfred Sloans, John D. Rockefellers, Morgans, Lamonts, Carnegies, E. H. Harrimans, James J. Hills and a legion of other rugged individualists, have risen from the humblest beginnings to the highest positions to make this nation constructively and politically great as well as the most sought and most loved land of freedoms and opportunities.

For this and other reasons, our ancestors fearlessly emigrated to these shores to seek a refuge from persecution, injustice and tyranny in other lands and climes to win happiness and liberty in AMERICA!

In the course of events Governor Dewey will undoubtedly be given such a mandate next November 2nd and also the God-given opportunity by the country's electorate to make his name mean as much to our citizenry as any of the nation builders who have given their all and who today live on in the hearts of their countrymen for outstanding accomplishment and devotion to mankind's great causes. The issue is simply whether Governor Dewey will follow the narrow party line for party advantage with an eye to a second term or whether he will give this country of ours an independent non-partisan Administration on a broad, humanistic and liberal business basis.

If Governor Dewey follows the latter course, disregarding narrow party lines, as we think he will, his place in our country's future annals will be certain and secure.

May God, then, give him the strength of mind and heart—the light and initiative—and the aspiration to be a President of all the People, all the Time!

"Wanted—a Man"

The following verse, written by J. G. Holland, expresses the Need of the Hour, especially in these days that quiver with sounds and rumors of a possible third World War:

"God give us men! The time demands
Strong minds, great hearts, true faith, and willing hands;
Men whom the lust of office does not kill;
Men whom the spoils of office cannot buy;
Men who possess opinions and a will;
Men who have honor; men who will not lie;
Men who can stand before a demagogue
And damn his treacherous flatteries without winking:
Tall men, sun-crowned, who live above the fog
In public duty and in private thinking.
For while the rabble with their thumbworn creeds,
Their large professions and little deeds,
Mingle in selfish strife, lo! Freedom weeps!
Wrong rules the land, and waiting Justice sleeps!

These suggestions are made, Mr. Editor, in the hope that Governor Dewey will lift his Administration above the ordinary political levels of the Roosevelt-Truman regime to a higher plane of statesmanship and Americanism.

ALEXANDER WILSON*
July 14, 1948
Summit, N. J.

*Writer of "Why a New League of Nations Will Not Insure Permanent Peace," in "The Chronicle," March 9, 1944, and a "Reply to Critics" of this article, March 30, 1944; also "Peace by Force in an Uncivilized World," Nov. 16, 1944; "Are Americans Isolationists?" Jan. 11, 1945; "The Failure of the White Man's Civilization," March 22, 1935; "How President Truman Can Regain his Lost Prestige," Feb. 13; "Is Capitalism the Cause of Wars?" Nov. 27, 1947.

Dealer-Broker Recommendations

(Continued from page 8)

sion in the "Index"—New York Trust Company, 100 Broadway, New York 5, N. Y.

In the same issue is a discussion of the **Southwest** as an expanding industrial section.

Steel—Survey analyzing problems of the steel industry and presenting detailed information about 24 leading steel producers—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Survey—Of Market Outlook—Abraham & Co., 120 Broadway, New York 5, N. Y.

Alan Wood Steel Co.—Memorandum on prospects in "Frank Ginberg Says"—Frank Ginberg & Co., 30 Broad Street, New York 4, N. Y.

In the same issue is a discussion of "America's New World Role."

Allerton New York Corp.—Memorandum—Amott, Baker & Co., 150 Broadway, New York 7, N. Y.

Also available are memoranda on **Broadway Barclay, Beacon Hotel Corp., Dorset Hotel Corp., Grant Building, Park Lexington Co., and Roosevelt Hotel.**

American President Lines—Analysis—American Canadian Enterprises, Ltd., 40 Exchange Place, New York 5, N. Y.

American Surety—Memorandum—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Also available is a memorandum on **Hanover Fire Insurance.**

Arkansas Western Gas Co.—Detailed information available to dealers and other financial institutions—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Bulova Watch Company, Inc.—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Capital Airlines, Inc.—Special review in "aviation bulletin"—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Catahoula Parish, La.—Memorandum—John Dane, Canal Building, New Orleans 12, La.

Chicago Transit Authority—Data—The Illinois Co., 231 South La Salle Street, Chicago 4, Ill.

Coca-Cola Bottling Company of New York—Analytical brochure—Elder, Wheeler & Co., 735 Broad Street, Chattanooga 2, Tenn., and 61 Broadway, New York 6, N. Y.

Dome Mines, Ltd.—Analysis—Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available is a leaflet of **Market Opinion** and a memorandum on **Cities Service.**

Empire Millwork Corporation—Analysis of stock in view of current situation in the building industry—Frank C. Masterson & Co., 64 Wall Street, New York 5, N. Y.

Erie Railroad—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y. Also available is a leaflet on the outlook for the market.

Fireman's Fund Insurance Co.—Analysis—J. Barth & Co., 482 California Street, San Francisco 4, Calif.

Gisholt Machine Co.—Data in current issue of "Geared to the News"—Strauss Bros., Inc., Board of Trade Building, Chicago 4, Ill.

In the same issue a brief analyses of **American Furniture Co., Inc., Nathan Straus-Duparquet, Inc.,** and **Shepard Niles Crane & Hoist Corp.**

Harrison Wholesale Co.—Circular—Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

Also available is a card memorandum on **Chicago, North Shore & Milwaukee Railway Co.**

R. Hoe & Co., Inc.—Analysis—Adams & Co., 105 West Adams Street, Chicago 3, Ill.

International Cellucotton Products Company—Analysis—Stifel, Nicolaus & Co., Inc., 314 North Broadway, St. Louis 2, Mo.

Kellogg Company—Analysis—Moreland & Co., Penobscot Building, Detroit 26, Mich.

Lehman Corporation—Analysis of changes in portfolio—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Maine Central Railroad—Descriptive Analysis—A. G. Woglom & Co., Inc., 49 Federal Street, Boston 10, Mass.

Metal Forming Corporation—Current bulletin—First Colony Corporation, 52 Wall Street, New York 5, N. Y.

National Iron Works—Memorandum—Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Also available is a circular on **Security First National Bank of Los Angeles.**

New England Public Service Co. plain preferreds—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Oster Manufacturing Co.—Description—George Birkins Company, 40 Exchange Place, New York 5, N. Y.

Otis Elevator Co.—Analysis and conclusions—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available is an analysis of the dissolution program of **Public Service Corporation of New Jersey.**

Pacific Western Oil Co.—Circular—Amos C. Sudler & Co., First National Bank Building, Denver 2, Colorado.

Parker Appliance Company—circular—du Pont, Homsey Co., 31 Milk Street, Boston 9, Mass.

Portsmouth Steel—Prize-winning letter on "Why Portsmouth Steel common is an Outstanding Stock Purchase" in contest of Bennett, Spanier & Co., Inc., 105 South La Salle Street, Chicago 3, Illinois.

Portsmouth Steel Corporation—Data—Buckley Securities Corp., 1420 Walnut Street, Philadelphia 2, Pa.

Also available are data on **Central Illinois Public Service, Seminole Oil & Gas** and **Maryland Drydock.**

Shell Union Oil Corporation—Analysis—Bendix, Luitweiler & Co., 52 Wall Street, New York 5, N. Y.

Southwest Gas Producing Co., Inc.—Investment appraisal—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

United Piece Dye Works—Memorandum—Greene and Company, 37 Wall Street, New York 5, N. Y.

Upson Company—Analysis—Strauss Brothers, Inc., 32 Broadway, New York 4, N. Y.

Ward Baking Co.—Memorandum—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Winters & Crampton Corp.—Analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Also available is an analysis of **Miles Shoes, Inc.**

Wisconsin Power & Light Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Diamond Alkali Gets $10,000,000 Loan

The Diamond Alkali Co. has completed negotiations with Metropolitan Life Insurance Co. to borrow $10,000,000 at 3% interest, officials of the firm reported July 13. The loan, maturing July 1, 1968, was completed with The First Boston Corp. acting as agent.

The purpose of the transaction, according to John A. Sargent, Diamond's financial Vice-President, was to "permit the company to round a $30,000,000 program of plant expansion and product development, in addition to the construction of a chlorine-caustic soda plant at Houston, Tex.

Denton & Company Adds

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—Donald K. Deitch has been added to the staff of Denton & Company, Inc., 805 Main Street.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	July 18	90.8	90.3	96.0	91.5
Equivalent to—					
Steel ingots and castings produced (net tons)	July 18	1,636,600	1,627,600	1,730,400	1,601,200
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	July 3	5,483,800	5,493,900	5,470,950	5,065,200
Crude runs to stills—daily average (bbls.)	July 3	5,701,000	5,674,000	5,736,000	5,134,000
Gasoline output (bbls.)	July 3	18,041,000	17,938,000	17,787,000	15,832,000
Kerosine output (bbls.)	July 3	2,116,000	2,350,000	2,224,000	1,951,000
Gas oil and distillate fuel oil output (bbls.)	July 3	7,185,000	7,200,000	7,249,000	5,703,000
Residual fuel oil output (bbls.)	July 3	9,055,000	8,858,000	9,354,000	8,482,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 3	104,145,000	104,178,000	107,278,000	88,627,000
Kerosine (bbls.) at	July 3	18,733,000	18,436,000	15,783,000	14,938,000
Gas oil and distillate fuel oil (bbls.) at	July 3	47,538,000	45,166,000	41,063,000	40,493,000
Residual fuel oil (bbls.) at	July 3	60,926,000	58,812,000	56,030,000	49,256,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 3	757,366	888,582	821,213	629,204
Revenue freight rec'd from connections (number of cars)	July 3	638,621	708,067	659,687	585,287
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 8	$168,718,000	$160,923,000	$174,146,000	$78,690,000
Private construction	July 8	100,043,000	74,643,000	75,329,000	30,070,000
Public construction	July 8	68,675,000	86,280,000	98,817,000	48,620,000
State and municipal	July 8	54,663,000	64,477,000	64,962,000	34,887,000
Federal	July 8	14,012,000	21,803,000	33,855,000	13,733,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 3	3,470,000	*12,800,000	13,040,000	1,965,000
Pennsylvania anthracite (tons)	July 3	100,000	1,116,000	1,011,000	98,000
Beehive coke (tons)	July 3	27,200	*144,300	134,600	11,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	July 3	264	*263	282	208
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 10	4,760,316	5,165,825	5,131,811	4,530,533
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	July 8	88	103	110	49
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 6	3.24473c	3.24473c	3.24473c	2.85664c
Pig iron (per gross ton)	July 6	$40.53	$40.53	$40.53	$33.43
Scrap steel (per gross ton)	July 6	$40.91	$40.66	$40.66	$35.58
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 7	21.200c	21.200c	21.200c	21.225c
Export refinery at	July 7	21.750c	21.800c	21.800c	21.425c
Straits tin (New York) at	July 7	103.000c	103.000c	103.000c	80.000c
Lead (New York) at	July 7	17.500c	17.500c	17.500c	15.000c
Lead (St. Louis) at	July 7	17.300c	17.300c	17.300c	14.800c
Zinc (East St. Louis) at	July 7	12.000c	12.000c	12.000c	10.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	July 13	100.84	100.86	101.27	103.81
Average corporate	July 13	112.56	112.56	113.31	117.00
Aaa	July 13	117.00	117.00	118.20	122.09
Aa	July 13	115.24	115.24	116.22	120.22
A	July 13	112.00	112.00	112.56	116.61
Baa	July 13	106.56	106.74	107.09	109.79
Railroad Group	July 13	108.34	108.52	108.88	112.00
Public Utilities Group	July 13	113.12	113.31	114.27	118.60
Industrials Group	July 13	116.41	116.41	117.20	120.63
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	July 13	2.44	2.44	2.41	2.25
Average corporate	July 13	3.03	3.03	2.99	2.80
Aaa	July 13	2.80	2.80	2.74	2.55
Aa	July 13	2.89	2.89	2.84	2.64
A	July 13	3.06	3.06	3.03	2.82
Baa	July 13	3.36	3.35	3.33	3.18
Railroad Group	July 13	3.26	3.25	3.23	3.06
Public Utilities Group	July 13	3.00	2.99	2.94	2.72
Industrials Group	July 13	2.83	2.83	2.79	2.62
MOODY'S COMMODITY INDEX	July 13	432.8	433.1	425.2	412.3
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUPS—1935-39=100:					
Foods	July 10	243.2	242.2	239.5	221.1
Fats and oils	July 10	279.8	286.5	297.9	212.2
Farm products	July 10	275.9	275.5	268.8	255.4
Cotton	July 10	330.4	349.6	353.0	362.0
Grains	July 10	242.0	254.0	261.3	253.1
Livestock	July 10	284.9	276.7	263.6	242.1
Fuels	July 10	231.4	231.4	231.4	178.6
Miscellaneous commodities	July 10	174.9	176.9	176.1	159.9
Textiles	July 10	202.0	214.3	209.1	221.6
Metals	July 10	166.6	166.0	165.9	148.8
Building materials	July 10	228.0	228.4	229.9	184.9
Chemicals and drugs	July 10	157.0	157.1	158.6	151.6
Fertilizer materials	July 10	136.7	136.6	134.2	126.2
Fertilizers	July 10	142.9	142.9	143.8	134.6
Farm machinery	July 10	140.2	140.2	139.4	126.6
All groups combined	July 10	226.2	226.7	224.3	201.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 3	215,857	160,314	222,226	187,739
Production (tons)	July 3	171,583	187,408	168,802	137,207
Percentage of activity	July 3	89	97	87	78
Unfilled orders (tons) at	July 3	381,065	336,183	402,625	517,713
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	July 9	146.5	146.9	147.8	143.0
WHOLESALE PRICES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	July 3	166.7	166.7	164.2	148.0
Farm products	July 3	197.2	198.4	192.4	179.5
Foods	July 3	184.1	183.0	178.0	164.6
Hides and leather products	July 3	188.3	188.6	187.0	171.7
Textile products	July 3	148.1	149.1	149.2	138.4
Fuel and lighting materials	July 3	134.1	134.0	133.8	105.1
Metal and metal products	July 3	159.4	158.8	156.8	141.6
Building materials	July 3	197.6	197.4	196.6	175.2
Chemicals and allied products	July 3	135.5	135.5	135.2	121.5
Housefurnishings goods	July 3	145.0	145.0	145.1	131.0
Miscellaneous commodities	July 3	121.1	121.2	121.0	115.4
Special groups—					
Raw materials	July 3	184.3	185.2	180.9	162.6
Semi-manufactured articles	July 3	154.0	153.9	153.0	142.5
Manufactured products	July 3	160.9	160.5	158.6	142.8
All commodities other than farm products	July 3	159.9	159.7	158.0	141.2
All commodities other than farm products and foods	July 3	149.8	149.9	149.3	132.1

*Revised figure.

	Latest Month	Previous Month	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of June	7,256,505	*7,559,672	6,977,714
AMERICAN TRUCKING ASSOCIATION—Month of May:			
Number of motor carriers reporting	307	*307	307
Volume of freight transported (tons)	2,742,206	*2,800,724	2,464,159
AMERICAN ZINC INSTITUTE, INC.—Month of June:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	68,372	*73,885	70,990
Shipments (tons of 2,000 lbs.)	69,345	*72,848	63,527
Stock at end of period (tons)	43,280	*44,253	174,327
Unfilled orders at end of period (tons)	69,345	71,018	46,029
COAL EXPORTS (BUREAU OF MINES) — Month of May:			
U. S. exports of Pennsylvania anthracite (net tons)	624,765	670,771	820,478
To North and Central America (net tons)	421,343	397,082	386,271
To South America (net tons)	1	------	------
To Europe (net tons)	203,421	273,687	423,461
To Asia, (net tons)	------	------	10,740
To Africa, (net tons)	------	2	------
COAL OUTPUT (BUREAU OF MINES)—Month of June:			
Bituminous coal and lignite (net tons)	53,208,000	56,590,000	47,424,000
Pennsylvania anthracite (net tons)	5,249,000	4,867,000	4,609,000
Beehive coke (net tons)	534,000	*578,098	471,100
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of June 30	$270,000,000	$253,000,000	$234,000,000
COMMERCIAL STEEL FORGINGS (DEPT. OF COMMERCE)—Month of May:			
Shipments (short tons)	108,546	114,314	115,743
Unfilled orders at end of month (short tons)	623,620	628,123	662,579
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES 1935-1939=100—As of May 15:			
All items	170.5	169.3	156.0
All foods	210.9	207.9	187.6
Cereals and bakery products	171.1	171.0	154.2
Meats	244.2	233.8	203.9
Dairy products	204.8	205.8	171.5
Eggs	184.9	184.7	178.9
Fruits and vegetables	218.0	217.4	207.0
Beverages	204.6	204.4	188.9
Fats and oils	196.6	191.4	200.5
Sugar and sweets	173.0	173.6	179.3
Clothing	197.5	196.4	185.0
Rent	116.7	116.3	109.2
Fuel, electricity and ice	131.8	130.7	117.7
Gas and electricity	94.1	93.9	92.4
Other fuels and ice	168.6	166.7	142.4
Housefurnishings	197.6	194.7	181.9
Miscellaneous	147.5	147.8	139.0
COTTON ACREAGE U. S. DEPT. OF AGRICULTURE—As of July 1:			
Acreage	23,653,000	------	21,500,000
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM — 1935-39 Average=100) —Month of June:			
Adjusted for seasonal variation	311	*309	288
Without seasonal adjustment	286	*299	266
MALLEABLE IRON CASTINGS (DEPT. OF COMMERCE)—Month of May:			
Shipments (short tons)	76,079	80,602	75,488
For sale (short tons)	42,261	45,941	42,304
For producers' own use (short tons)	33,818	34,661	33,184
Orders booked, less cancellation, for sale (short tons)	34,236	42,168	29,006
Unfilled orders, end of month, for sale (short tons)	191,553	199,578	262,117
MONEY IN CIRCULATION — TREASURY DEPT.—As of May 31 (000's omitted)	$27,812,102	$27,716,475	$28,260,701
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of June:			
Industrials (125)	5.30	5.28	5.09
Railroads (25)	5.30	5.21	6.43
Utilities (25)	5.82	5.80	5.53
Banks (15)	4.54	4.43	4.56
Insurance (10)	3.34	3.09	3.54
Average yield (200)	5.31	5.26	5.16
PORTLAND CEMENT (BUREAU OF MINES)—Month of April:			
Production (bbls.)	16,041,000	14,502,000	14,566,000
Shipments from mills (bbls.)	19,047,000	13,957,000	15,414,000
Stocks (at end of month) (bbls.)	17,880,000	*20,826,000	21,331,000
Capacity used	80%	71%	74%
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE August, 1909-July, 1914=100—As of June 15:			
Unadjusted—			
All farm products	295	389	271
Crops	261	267	262
Food grain	249	261	253
Feed grain and hay	278	282	240
Feed grain	317	321	272
Tobacco	370	370	390
Cotton	284	284	275
Fruit	155	141	228
Truck crops	213	262	215
Oil-bearing crops	364	357	318
Livestock and products	326	309	278
Meat animals	390	361	338
Dairy products	291	291	233
Poultry and eggs	221	211	205
Seasonally adjusted—			
Fruit	140	132	205
Truck crops	231	257	229
Dairy products	319	314	255
Poultry and eggs	240	231	219
STEEL CASTINGS (DEPT. OF COMMERCE)—Month of May:			
Shipments (short tons)	143,337	150,305	140,874
For sale (short tons)	111,616	114,896	103,779
For producers' own use (short tons)	31,721	35,409	37,095
Unfilled orders for sale at end of month (short tons)	482,531	472,370	443,225
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted)—			
As of June 30	$252,365,707	$252,311,077	$258,375,903
General fund balance	4,932,021	4,946,292	3,308,136
Net debt	$247,433,686	$247,364,785	$255,067,767
Computed annual interest rate	2.182%	2.174%	2.107%

*Revised figure.

The Fight for Men's Minds

(Continued from page 13)

ideals, the leaders of business, are not the puppets of a dictator or the sycophants of a political boss. Rather, they are leaders because of wholly democratic processes of our individual enterprise system. That is, they are leaders because of proven merit and ability, and for no other reason. The minute they fail in the discharge of their duty the free enterprise system itself automatically purges them through its sanitary system of profit and loss. That is the reason these same men are so often leaders in worthy community enterprises and national movements in defense of American ideals.

No Conflict Between Human and Property Rights

The same little group of cynics who continually attack businessmen as greedy monsters camouflage such attacks by a professed desire to preserve human rights, as against property rights. They would have you believe that there is an eternal conflict between human rights and property rights. This, of course, is a typical Communist tactic. They are experts at distortion and the use of words to hide rather than to reveal their objectives.

There can be, there is no conflict between human rights and property rights when exercised by men dedicated to our American ideals. Under the Bill of Rights of our Constitution, that great charter of freedom, the right to hold and use property is clearly recognized as a human right. This isn't my own private interpretation. It's right there in the Constitution. It says that the people shall not "be deprived of life, liberty or property, without due process of law." And in 1868 this great democratic principle, this fundamental American principle, was fortified by the ratification of the 14th Amendment to the Constitution. That amendment forbids any of the States to "deprive any person of life, liberty or property without due process of law." You don't have to be a lawyer to understand that. It simply means that the ownership and use of property is a human right indivisible from the other basic human rights of life and liberty. That gets the collectivists wild! They can't attack property directly without condemning the Constitution. And if they attack the Constitution they must be unmasked as the traitors they actually are.

There is another reason they can't safely attack property directly. That is, because property is simply accumulated human effort. Property first of all is the savings of people, the result of hard work. Then property is the sum total of effective cooperation between men in a free society venturing, investing, experimenting, producing, buying, selling, expanding and producing, always producing more.

You cannot, therefore, successfully attack the accumulated human effort of the American people!

So instead of attacking property directly the collectivists harp on human rights. Their oblique approach leads many good but misguided or unthinking people to believe that the protection of property rights necessarily violates other human rights.

This is a devilishly clever trick. But it cannot prevail among people who realize that the ownership and lawful use of property is also a human right, and one that under our American system actually enriches the other human rights.

There is another aspect of this fight for men's minds that puzzles me. It is that so many otherwise intelligent people overlook the profound truth that freedom is indivisible.

The instant we permit one right or freedom to be violated we thereby weaken and subject to invasion all other rights and freedoms. When we violate one human right, when we deny private property its constitutional rights, then we undermine our fundamental law and endanger all rights and freedoms.

Collectivism Is Complete Negation of Democracy

Recent events abroad demonstrate how collectivism is the complete negation of democracy. The collectivists, as we have seen, begin by loudly championing human rights. This is a strong appeal because all people love freedom. Then these collectivists, still keeping their red flags hidden, begin assailing private property, charging that private ownership and use nullifies human rights. When a nation falls for this doctrine the collectivists come into the open with their real program to nationalize all private property. Then comes the payoff!

The collectivists can't operate the property they have stolen as long as the people are left with any other human rights. Of course, the collectivists aren't surprised when this happens. They know all along that human freedom is indivisible. They know that when private property is absorbed by socialism the state must then destroy all other human freedoms in order to operate their collectivist economy. There is no other way to make it work, and even then it works badly. But the collectivists never tell you that. Collectivism wouldn't get a foothold anywhere in the world if the people realized beforehand that all their human rights would be sacrificed to the little red gods of the total state!

Ideals in Individual Enterprise System

But let's get back to how our American ideals apply to and are applied in our individual enterprise system. As I said before, ideals without action are meaningless. Take, for example, the one ideal from which all others stem, the one without which you can have no national ideals. I mean freedom — individual freedom, equal freedom!

Freedom restricted or limited to a special class or group isn't freedom at all; it is simply a privilege granted by and held only at the whim of the state. Such freedom, such a privilege, can be withdrawn whenever the state desires. That's why our founding fathers made freedom an unalienable right, a right that cannot be cancelled by government.

Democratic freedom, real freedom, is equal freedom under law. That is the fundamental reason why our individual enterprise system has astonished the world by the abundance of the good things of life, the high standards of living it has produced and showered on the American people.

When our enterprising ancestors went forth to conquer a continent this freedom, plus their will and skill, did the job. They used this freedom to explore, settle and build wherever and whenever they desired. They used this freedom to invent, produce and sell whatever they thought would return a profit. They used this freedom to save, invest or spend this fair profit in whatever way they deemed most desirable. They used this freedom to compete with and continually to improve upon the products of their fellow-enterprisers. They used this freedom for themselves and, more important, they used it to make certain their fellow-Americans had the same use of it.

This is the secret of the remarkable progress and productivity of this great nation of free enterprisers.

Can you possibly imagine even half as much industrial progress and productivity under any other system on earth? Can you picture such achievements under a system whereby political appointees, half-baked experts and bureaucratic bunglers controlled and directed every action of men anxious to carve their own careers and chart their own destiny?

Of course you can't!

Freedom is not only an American ideal or tradition.

It is an American fact.

It is a fact made material by the highest standard of living the world has ever known.

Growing Careless About Our Freedom

And yet, during the last two decades we Americans have grown careless about this freedom that earlier Americans turned to such creative purposes.

We had grown soft through years of soft living. When temporary adversity, depression, hit us, we forgot our first principles of individual freedom, individual initiative, individual enterprise. We rushed to Washington, we clamored to government for help.

That made it a field day for the collectivists. Under their sly guidance, government responded to our clamors by demanding more power in order to give more help. There's an old saying to the effect, it goes for governments as well as for collectivists, "give him an inch and he'll take a mile." The collectivist idea is "centralize enough power in the state and the people will be beyond help." We permitted, we even encouraged, our government to expand to proportions and into fields that weaken and endanger freedom. And all in the belief or the fond hope that we were preserving human rights.

So, the collectivists, for example, have been using, under our very eyes, the Federal individual income tax as a cleverly designed road-block to industrial progress and defend their action by invoking human rights.

Apart from the fact that the ownership and lawful use of property is a human right, the economic fact is that the excessive taxation of the higher incomes dangerously cripples the present efficiency and seriously threatens the future progress of American industry. Machines used in industrial production wear out and become obsolete. New plants must be erected; new processes and new materials and inventions must continually be applied by industry if we are to function as an expanding economy that carries the American people to continually higher standards of living.

This eternal process of change and expansion costs money. It requires a steady flow of investment. It calls for the money, the savings that people are able and willing to risk in the future growth and success of individual companies.

Most of this venture capital has always come from individuals in the middle and upper income brackets. They had the surplus funds and they could afford to risk them in industrial ventures.

During the most creative years of our history, from 1869 to 1929, the American people consistently plowed back one-fifth of the total wealth this country produced into the investment necessary for new and more efficient production, for more and better jobs. This constant flow of venture capital made possible the industrial expansion and increased productivity. It was the key to America's progress in the past. It is the key to America's future.

Soaking the Rich

But in recent years there has been a very serious lack of capital for investment in the future of American industry. The individuals in the middle and upper income brackets are no longer permitted to retain the same surplus income they used to invest in the improvement and expansion of industry. The income tax manipulators saw to that; they fixed it so that the government now recaptures much of that surplus income. "Soak the rich" is the slogan—the rabble-rousing cry of the collectivist "protectors" of human rights.

But now, perhaps, you have a better idea of both the motive and the effect of such an action by the government.

The whole thing has been engineered by clever collectivists who in pretending to aim at the rich are really shooting at a much greater target; that is, at our American system of free competitive enterprise. If they can cripple and weaken this system that produces abundance for all, then they can destroy the people's confidence in it and move into the government with their wrecking crews and hatchet men.

Industry has been endeavoring to make up for this lack of venture capital for improvement and expansion by drawing heavily upon "rainy day" reserves and by borrowing large sums from banks and insurance companies. But there still remains a large backlog of worn-out and obsolete equipment and a great need for new plants and processes. These can only be provided for by an equalization of the income tax burden so that once more the historic process of venture capital is set in motion.

We must maintain the efficiency and expansion of our industrial plant if we are successfully to meet the increased domestic and foreign demands made upon it in this time of crisis.

And we can't do the job unless there is a resumption of the flow of venture capital from individuals able and willing to invest.

One of the neatest tear-jerkers in the collectivists' kit is that old phony—that old emotional but utterly absurd appeal, that profits are made at the expense of human misery.

The truth, of course, is that business profits are actually the best antidote to human misery. Profits make and keep our economy healthy. If busines does not earn a fair profit it becomes weakened. If the profit famine lasts too long the business dies. When the business dies production ceases. Unemployment results and the economy is paralyzed.

On the other hand, when profits are on a reasonable and stable basis, business is enabled and encouraged to improve and expand. More and better jobs and more and better products are available to the people. That way profits actually prevent human misery.

This is not the time nor place for the detailed story of profits. But there is one fact of great significance. It is that manufacturing profits in the United States in 1947 took less than seven cents out of each sales dollar, no more than in 1939, and over a 10-year period averaged much less than that.

Here again we have an example of how the human right to own and use private property is indirectly attacked by a purely emotional appeal without foundation in fact or in logic. It is astonishing that this totalitarian philosophy of human enslavement this Marxian materialism, should have gained such influence here of all places on earth. It is incredible that it can be tolerated in a nation founded on respect for the individual, respect for labor and protection for the fruits of labor. Our Founding Fathers incorporated these principles into our Constitution. In doing so they made a reality of the ideal that man was the master, not the servant, of his government.

They made a fact of the ideal proclaimed by the Jewish prophets centuries ago. They repudiated the "divine right of kings" and recognized the Christian ideal of "the divine right of the individual."

Those Founding Fathers not only had a fine passion for liberty: They gave us the conditions that make liberty possible.

In short, they put their ideals into action!

It is our great privilege as Americans to keep these ideals in action and thereby win the war for men's minds! To win this fateful struggle we must first rededicate ourselves to these ideals. By rededication I don't mean the adoption of pious resolutions or daily recitals of "I pledge allegiance to the flag."

I mean the kind of rededication that gets patriotic businessmen out from behind their desks and out of their offices — that gets housewives off their porches and away from their bridge tables—that calls us from the golf course and tennis court and the Saturday Afternoon Poker Club, all of us, to work, to talk, and to vote as free Americans should, and as, thank God!—we Americans are still free to do.

Obligations of Manufacturers

We in the management of manufacturing industry are aware, most of us at least, of our tremendous obligations as the first stewards of the American individual enterprise system. We know the system is not snow white and we know it is our responsibility, our primary responsibility, to wipe out if we can the grays and the blacks which sometimes smudge the system's record. It is our job to make that system operate more effectively all of the time for all of the people, to make that system continue to produce what we know it can produce, better tomorrows for everybody.

Management, of course, can't do the job alone and that's why, as a spokesman for management, I'm doubly thrilled to be here today, privileged to make an appeal for American ideals before a truly representative cross-section of American culture.

Your presence here is prima facie evidence that you are cultural leaders, thought-molders and citizens of influence in your home communities, if you have not realized it, it's high time, for America's sake, that you did.

If the American ideals we love and the ideals we live by are to be preserved for our children and our children's children, you, citizens, men, women, youth, workers, farmers, professional people, all of you, have got to dedicate every ounce of your cultural leadership, wherever you live, no matter how large or small may be your sphere, into the restoration and perpetuation of an intellectual and economic climate in which our American ideals can live and grow.

This is your privilege as an American.

It is your responsibility as a free human being.

Like the Biblical wariors, we, too, now stand at Armageddon.

And we, too, are fighting for ideals—fighting for freedom in the first home of real freedom, fighting for liberty in the shrine of individual liberty.

Fairman Co. Adds

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—Ellington W. Bunch has been added to the staff of Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

News About Banks and Bankers

(Continued from page 16)

retary is Alma L. Hellquist. Edward S. Duryee and Wm. J. Knowles are Assistant Treasurers.

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The **Corn Exchange National Bank & Trust Co. of Philadelphia** recently announced the promotion of Richard F. Fitzgerald from Auditor to Assistant Comptroller. Orville H. Beadle was advanced from Assistant Trust Officer to Assistant Cashier. The Philadelphia "Evening Bulletin," of July 1 indicating this reported other changes as follows:

Fred M. Harburg was named Auditor, Everett R. Verbeek becomes Assistant Cashier, John M. Grimsley, Assistant Manager, foreign department, and James M. Davis was appointed Assistant Branch Manager.

* * *

Arthur M. Scully, who since 1933 had been Executive Vice-President of the **Mellon Bank and Trust Company** and a Vice-President and Trust Officer of the **Union Trust Company of Pittsburgh, Pa.**, died on July 2. The Pittsburgh "Post Gazette" states that before entering the banking business Mr. Scully was for many years a member of the law firm of Burgwin, Scully & Burgwin. It also noted that he was a member of the "Committee of 30," appointed by former Governor Martin in 1944 to revise interstate laws of Pennsylvania, and of the State Board of Law Examiners for Allegheny County.

* * *

John J. Whitt, Jr., of Petersburg, Va., was elected Assistant Cashier of **The Bank of Virginia** by the board of directors of the bank at their regular July meeting, it was announced by Herbert C. Moseley, Vice-President in charge of the Petersburg Office of the bank. Mr. Whitt, who is 33 years of age, joined the staff of the bank on April 15, 1937, and has served the organization in practically every capacity including that of Teller, Loan Interviewer and Office Manager of the sales finance department. At the present time, in addition to his duties in the sales finance department, he is in charge of all teller and discount operations. From February, 1943, to January, 1946, Mr. White was granted a leave of absence from the bank to serve in the Army. He is active in the Junior Chamber of Commerce and other civic affairs in Petersburg.

* * *

THE FIFTH THIRD UNION TRUST CO., CINCINNATI, O.

	June 30,'48	Apr. 12,'48
	$	$
Total resources	236,062,704	241,012,645
Deposits	216,416,729	221,661,608
Cash and due from banks	63,570,915	62,150,728
U. S. Govt. security holdings	67,221,385	77,907,800
Loans and bills discounted	85,981,788	81,255,302
Undivided profits	2,551,758	2,426,274

* * *

HARRIS TRUST AND SAVINGS BANK, CHICAGO, ILL.

	June 30,'48	Mar. 19,'48
	$	$
Total resources	542,985,257	542,596,042
Deposits	505,446,540	502,990,639
Cash and due from banks	152,749,940	135,592,127
U. S. Govt. security holdings	177,375,279	188,235,132
Loans and bills discounted	166,965,235	170,312,239
Undivided profits	6,494,713	6,006,028

A certificate was issued on July 2 by the Comptroller of the Currency approving, and making effective as of July 3 the consolidation of the **Chicago Terminal National Bank of Chicago, Ill.**, and the **Industrial National Bank of Chicago.** The consolidation was effected under the charter of the Chicago Terminal & National Bank, and under the title of **Chicago National Bank.** The capital stock of the consolidated bank will be $3,250,000 consisting of $1,500,000 of locally owned preferred stock, divided into 50,000 shares, par $30 each, and of $1,750,000 of common stock divided into 105,000 shares, par $16⅔ each. The surplus will be $1,500,000. Reference to the plans for the consolidation appeared in our issue of July 1—page 23.

* * *

George D. Prentice has retired as Vice-President and Cashier of the **Marine National Exchange Bank of Milwaukee, Wis.**, it was made known on June 29 by President Elliott G. Fitch, who at the same time announced several promotions. The retirement of Mr. Prentice follows a banking career of nearly 50 years. From the Milwaukee "Journal" we quote:

"He joined the Marine National Bank, one of the predecessor institutions of Marine National Exchange, as a messenger and became an Assistant Cashier in 1910. He was promoted to Cashier in 1930 and elected Vice-President and Cashier in 1942.

The same advices report Mr. Prentice was President of the Wisconsin Bankers Association in 1943-'44; member of its Executive Council in 1933-'36 and 1942-45; State Vice-President of the American Bankers' Association in 1944-'47; member of the ABA Executive Council, 1945-'48; President of group eight of the Wisconsin Bankers in 1932, and Chairman of the rules committee of the Milwaukee Clearing House Association from 1934 to 1948."

Among the promotions in the Marine National Exchange Bank announced on June 28 was the advancement of Leroy W. Grossman, who is in charge of the bank's bond department, from Assistant Vice-President to Vice-President, Charles F. Jones, who started as a messenger and has worked in most departments of the bank, was moved up from Assistant Vice-President to Vice-President in the loaning division. Anthony J. Deniger, who also began as a messenger, was elected Cashier. A former Assistant Vice-President, he has been the understudy of Mr. Prentice in the correspondent bank division and will assume his duties in that department July 1.

* * *

NATIONAL BANK OF DETROIT, DETROIT, MICH.

	June 30, '48	Apr. 12, '48
	$	$
Total resources	1,224,454,948	1,203,329,748
Deposits	1,158,836,197	1,135,520,679
Cash and due from banks	312,431,504	301,186,066
U. S. Govt. security holdings	599,435,417	585,280,286
Loans and bills discounted	177,879,666	185,099,958
Undivided profits	6,286,998	5,733,177

* * *

Harold Evans and B. H. O'Hara were elected Assistant Vice-Presidents in the bond department of the **Commerce Trust Company of Kansas City, Mo.**, on July 6. Mr. Evans has been with the bond department of the company for 28 years, while Mr. O'Hara has been a member of the bank's staff for 27 years. Miss Emma M. Hall has been an Assistant Vice-President in the bond department since 1945.

The resignation on July 1 of Gerald Parker as Vice-President of Commerce Trust Company was recently reported in the Kansas City "Star."

* * *

A call for a meeting of the stockholders of the **Stock Yards Bank of Louisville, Ky.**, has been issued by the directors to act on a recommendation for the issuance of 500 shares of new stock, to be offered at $250 a share. The Financial Editor of the Louisville "Courier Journal" of June 25, Sol Schulman, reporting this, further said in part:

"The $125,000 which the new stock would bring would have the effect of raising the bank's present $150,000 capital to $200,000 and its $250,000 surplus to $325,000, making its total capital assets $525,000, besides undivided profits.

"First chance to buy the new stock would go to the 110 present stockholders, who would have an opportunity to buy one new share for each three shares of old stock already owned.

"The current price bid on the local market for Stock Yards Bank stock is $240, the same price at which it has been bid for months. At present there are 1,500 shares of the bank stock outstanding. It has a par value of $100 a share."

* * *

The Board of Directors of the **First National Bank of Miami, Fla.**, recently announced the election of Wiley R. Reynolds as Honorary Chairman, and Clement B. Chinn as President.

* * *

The June 30 statement of condition of **The United States National Bank of Manitowoc, Wis.**, important increase in the bank's capital structure, according to J. Howard Ferguson, President. The bank's board of directors recently approved a transfer of $500,000 from the undivided profit account to the surplus account. As a result of this transfer, the capital funds of the institution now stand at $1,100,000 capital, $2,400,000 surplus, and $2,045,488 undivided profits, totaling $5,545,488.

* * *

Guido R. Rahr was elected President of the **Manitowoc National Bank of Manitowoc, Wis.** on June 25 to succeed the late George Gibbs, whose death, as the result of a heart attack, occurred on June 22 while he was attending the convention in Milwaukee of the Wisconsin Bankers' Association. Mr. Gibbs was 62 years of age. Mr. Rahr, the newly elected President of the bank, is President of the Rahr Malting Co. Special Advices from Manitowoc to the Milwaukee "Journal" of June 25 likewise stated that the bank's directors also named Edward J Zanke as Executive Vice-President and a member of the board of directors.

* * *

Clarence E. Baen, will retire July 31 as Vice-President of the **Anglo California National Bank of San Francisco** it was announced on July 7 by Allard A. Calkins, President. Mr. Baen was the guest of honor at a dinner given by fellow officers of the bank at the Bohemian Club on the 7th. After graduation from the Cincinnati Law School and admission to the Ohio State Bar, Mr. Baen, who was born in Ohio, practiced law in Cincinnati. In 1902 he became manager of the Denver, Colo., office of the Bradstreet Company, mercantile agency, and in 1908 was transferred to San Francisco in a similar capacity. In 1914 he entered the banking field as Assistant Manager of the International Banking Corporation here. In 1916 he joined the staff of the Anglo Bank and has served successively as Assistant Cashier, Assistant Vice-President and Vice-President. In recent years he has devoted himself largely to the public relations activities of the bank. Mr. Baen is a director of the Downtown Association and Chairman of its ways and means committee, a past President of the Credit Managers Association of Northern and Central California, and a member of the State bars of California, Colorado and Ohio.

* * *

W. Watson, Comptroller of the **Union Bank & Trust Co. of Los Angeles**, sailed on the S. S. Queen Mary July 10 for Europe. On a three-month vacation leave in Great Britain and France, Mr. Watson will visit London, Oxford, the English Lake District, Edinburgh, Iverness, Aberdeen, Devon, Somerset, Cornwall and Paris, France. In Scotland he will attend the world-famous games at Braemar. He will return to Los Angeles, Oct. 20.

* * *

At a meeting of the board of directors of **Crocker First National Bank of San Francisco**, held on July 8, F. F. Hanington and F. W. Ross were promoted to Assistant Vice-Presidents. H. E. Olney of the Trust Department was promoted to Assistant Trust Officer and Harold Trumpour was made Assistant Auditor. Both Messrs Hanington and Ross have been associated with the bank for a number of years. Mr. Hanington joined the bank in 1921 and Mr. Ross in 1910.

Six members of the Oakland Staff of Crocker First National Bank were honored in a traditional ceremony held on July 8 in the lobby of the Bank. Frank C. Martens; John Campe, Van F. Obermuller, Francis C. Wheeler, Joseph Zanassi and Floyd B Smith were awarded gold watches by W. W. Crocker, President, commemorating their more than 25 years of service with the bank and its predecessor, the Farmers and Merchants Savings Bank. In making the awards, Mr. Crocker pointed out that this particular ceremony was somewhat unusual inasmuch as each of the men receiving the awards had served the major part of his banking career in the service of Farmers and Merchants Savings Bank, which institution was merged with Crocker First National Bank in March, 1947. Mr. Crocker stated that it was the feeling of both the directors and himself that such a long service record in the predecessor institution should be recognized and it was decided, that the men should be inducted into the bank's 25-year Club and honored with the traditional gold watch as a token of their long service.

* * *

Merger of the **Almira State Bank of Almira, Wash.**, with the **National Bank of Commerce of Seattle**, was announced jointly on July 8 by Ray Johnson, Vice-President and Cashier of the Almira bank, and by Andrew Price, Chairman, and Maxwell Carlson, President of the N. B. of C. Effective at the close of business on July 9, the merger has the approval of the Comptroller of the Currency. The Almira Branch will be the 29th office of the $350 million National Bank of Commerce. Marion P. Sutton, Assistant to the Manager of the Waterville Branch of the N. B. of C., will be Manager of the new Almira Branch.

No Oil Shortage Imminent

(Continued from page 2)

source of oil imports into this country, would be prevented by the United States Government from receiving the tubular goods required and now actually available to them. The effectiveness of steel, in terms of prompt additional oil supply for the United States, is so much greater in this area that in any other that it never occurred to us that the government would jeopardize the domestic oil supply situation by refusing export licenses for at least the minimum steel required and on order.

A a case in point, we have recently been advised that our operating subsidiary in Venezuela received an export license for the second quarter of this year equal to only about 50% of their requirements of oil country tubular goods Presumably other operators in Venezuela have had similar treatment. We estimate that if this situation continues, the expected increase in Venezuelan production will not occur.

In such circumstances we would be forced to change our supply statements. We would have to say —there probably will be an oil crisis. The difference between the oil production based on established drilling programs and that which would occur with shipments of only 50% of the steel on order is estimated to be about 100,000 barrels daily in a year for the country as a whole. Even the most optimistic view of the coming supply-demand situation does not visualize this amount as an excess under minimum requirements. In other words, increased production in Venezuela is essential to make sure of preventing an oil supply crisis in the United States.

I am not suggesting that export control over steel exports or even over oil country tubular goods should be eliminated. I do suggest, however, that in the interests of this country and particularly of the Eastern Seaboard, export licenses should be granted on the basis of effectiveness in increasing petroleum supplies.

I am not suggesting that producers in Venezuela and other countries should be allocated steel on government intervention. I do suggest that they be granted the right to ship the steel they have been able to obtain—to the extent that they can demonstrate that it will relieve the oil supply situation more effectively by being used there than if it were used in this country.

Venezuela is a shorter haul supply source for both Europe and the East Coast than the principal petroleum ports in the Gulf Coast. Therefore, tanker requirements are somewhat less when oil is shipped from Venezuela. The present world supply situation is such that a barrel lost in Venezuela is a barrel less for the United States consumption and more particularly for the East Coast. A sizeable loss of imports would he reflected in cold homes on the East Coast next winter. A more realistic administration of export licenses is, therefore, essential to the well-being of petroleum consumers in the United States.

The greatest obstacle today to increasing supply as rapidly as demand is increasing is the inability to export steel already on firm order. It is an arbitrary obstruction, not a physical road-block, to adequate oil supplies. It can and should be corrected promptly.

If it is corrected, it is our opinion that overall supply requirements can be met assuming the pipemills receive sufficient steel ingots and billets to assure maximum capacity operations. Mr. Hahn of O. I. T. indicated in his testimony of May 19 before the Senate Small Business Committee that this was now being done and would be continued.

We would all like to have more steel than we will get, even with maximum operation of pipe mills, but so would other industries. The main question, to my mind, is "Will there be enough to get by?" —and to that question my answer, based on recent facts, is "Yes."

C. C. Sanders Now With Pearson-Richards & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Cyril C. Sanders has become associated with Pearson-Richards & Co., Russ Building. In the past he was an officer of First Investors Corporation of the Pacific Coast and of Marshall, Sanders, Inc.

With Harris, Upham & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Sam J. Stephens has been added to the staff of Harris, Upham & Co., 232 Montgomery Street.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Air Commuting, Inc., White Plains, N. Y.
June 17 (letter of notification) 1,060 shares of capital stock (no par value), of which 600 shares will be sold publicly at $100 per share. **Underwriter** — Burnham & Co. **Proceeds**—To be used to engage in limited helicopter operation over routes which the company is presently certificated to fly or in limited helicopter commercial work.

American Bosch Corp. (7/19)
June 2 filed 535,882 shares of class B ($1 par) common stock. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Glore, Forgan & Co. and Lehman Brothers (jointly); Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Bids for the purchase of the stock will be received up to 3:30 p.m. (EDT) July 19 at office of Department of Justice, Office of Alien Property, 120 Broadway, New York.

American Fidelity Fire Insurance Co., New York
July 2 (letter of notification) 20,000 shares 80c non-convertible preferred stock (par $5). **Price**—$14 per share. Stockholders of record July 15 will be given the right to subscribe to the stock. Rights expire Sept. 9, 1948. Expand fire insurance business. No underwriting.

Ampal-American Palestine Trading Corp., N. Y.
April 7 filed $10,000,000 10-year 3% sinking fund debentures. **Underwriter**—Name to be filed by amendment, if any is used. **Proceeds** — $5,000,000 in mortgage loans for construction of housing in Palestine, $2,500,000 in loans to transportation and industrial cooperatives, and $2,200,000 in loan to Solel Boneh, Ltd., for public works.

● Angovar, Ltd., Beverly Hills, Calif.
July 7 (letter of notification) 1,000 shares (no par) common stock and 746 shares of 5% cumulative preferred stock (par $100). The 1,000 shares of common, evaluated at $5 each, and 100 shares of the preferred are to be issued to Molla V. Twomey "in consideration for her services" in organizing the company. The remaining 646 shares of preferred will be offered publicly. No underwriting.

Armstrong Rubber Co., West Haven, Conn.
June 30 (letter of notification) 1,000 shares of 4¾% cumulative convertible preferred stock, ($50 par) and 2,000 shares of class A common stock. To be sold at $44 and $11.75, respectively. This stock is being sold by James A. Walsh, President of the Company. **Underwriter**—F. Eberstadt & Co., Inc., New York.

● Armstrong Rubber Co., West Haven, Conn.
July 8 (letter of notification) 1,000 shares of 4¾% cumulative convertible preferred stock ($50 par). To be sold at $44 each for Frederick Machlin, Executive Vice-President and Secretary of the company. **Underwriter**—F. Eberstadt & Co., Inc., New York.

● Ashland Oil & Refining Co.
July 14 filed 400,000 shares of $1.20 cumulative convertible preferred stock. **Underwriter**—A. G. Becker & Co. Inc. **Proceeds**—Of the total, 300,000 shares are to be sold for the account of the company and 100,000 shares for the account of two individuals. The latter are stockholders of Allied Oil Co., Inc., and the stock to be offered for their account is a part of the shares they are to receive in connection with the merger of Allied into Ashland. **Proceeds**—Proceeds from sale of company's stock are to be added to general funds and made available for further expansion of its interests.

● Big Horn-Powder River Corp., Denver, Colo.
July 8 (letter of notification) 50,000 shares ($1 par) capital stock. Price, par. To develop oil properties. No underwriting.

Borderminster Exploration Co. Ltd., Ottawa, Canada
June 2 filed 500,000 common shares ($1 par). **Underwriter**—Mark Daniels & Co. **Price**—40c per share Canadian funds. **Proceeds**—For exploration of properties.

● Boston Fund, Inc.
July 2 filed 200,000 shares common stock (par $1). **Underwriter**—Vance Sanders & Co. Price at market. **Proceeds**—For investment.

● Carolina Casualty Insurance Co., Burlington, N. C.
July 8 (letter of notification) 14,500 shares $1.40 cumulative preferred stock. To be sold at $20. For additional capital. No underwriting.

Central Maine Power Co., Augusta, Me.
July 1 filed $5,000,000 first and general mortgage bonds, series Q, due 1978. **Underwriters**—Names to be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co. and W. E. Hutton & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. **Proceeds**—To reduce outstanding short-term construction notes payable to the First National Bank of Boston, the proceeds of which were used for additional construction and other corporate purposes. **Offering**—Expected in July.

Central Maine Power Co.
Nov. 10 filed 160,000 shares ($10 par) common. **Underwriting**—Company called for competitive bids Dec. 8, 1947 and only one bid, that of Blyth & Co., Inc. and Kidder, Peabody & Co. was submitted and was rejected by the company. They bid $13.75, less $1.75 underwriting commission. Now expected on negotiated basis through Blyth & Co., Inc. **Offering**—To be offered to 6% preferred and common stockholders for subscription on the basis of one-half share of new common for each preferred share and one-tenth share of new common for each common share held. Price by amendment. **Proceeds**—For construction and repayment of bank loans.

Central Power & Light Co.
Nov. 21 filed 40,000 shares ($100 par) cumulative preferred. **Underwriters**—Lehman Brothers; Glore, Forgan & Co., Dewar, Robertson & Pancoast. **Proceeds**—For property additions and expenses. On April 15, SEC denied effectiveness of registration statement.

Central Vermont Public Service Corp.
March 30 filed $1,500,000 Series E first mortgage bonds and an undetermined number of common shares (no par). **Underwriters** of common—Coffin & Burr. Bonds to be placed privately. Common stock will be offered to common stockholders through subscription rights and to common and preferred stockholders through subscription privileges. **Proceeds**—For a construction program and repair of flood damages. Expected by mid-July.

Century Steel Corp., Hollydale, Calif.
Nov. 10 filed 4,000 shares ($100 par) common. **Underwriting**—None. Shares will be sold at par by directors. **Proceeds**—To purchase rolling mill, equipment and for working capital.

Challenger Airlines Co., Salt Lake City, Utah
March 1 filed 600,000 shares ($1 par) common stock, of which 400,000 are being sold for the company and 200,000 for the account of Claude Neon, Inc. **Underwriting**—None. **Price**—$2 a share. **Proceeds**—For equipment purchase and general funds.

Chieftain Products, Inc., Brooklyn, N. Y.
July 2 (letter of notification) 50,000 shares of common stock and 30,000 warrants entitling the holder to purchase common stock. **Price**—$2.75 per unit consisting of one share of common and 1½ warrants. General corporate purposes. **Underwriter**—Dunne & Co., New York.

Clinton (Mich.) Machine Co.
April 15 (letter of notification) 10,000 shares of stock to be sold at $5⅛ each (market price), for selling stockholder. **Underwriter**—Charles E. Bailey & Co., Detroit.

● Commodore Productions & Artists, Inc., Hollywood, Calif.
July 6 (letter of notification) 30,000 shares ($10 par) common stock, of which 28,851 are being offered publicly at par. **Underwriter**—John D. Gould, San Diego, Calif. For producing and recording 52 episodes of "Hopalong Cassidy" and other radio programs.

Commonwealth Edison Co. (7/27)
June 29 filed $50,000,000 first mortgage bonds, series N, due June 1, 1978. **Underwriters**—Names to be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp. **Proceeds**—For working capital to be used for construction. Expected about July 27.

● Commonwealth Riverside Drive-In Theatre Corp., Kansas City, Mo.
July 1 (letter of notification) 1,245 shares ($100 par) preferred stock and 1,245 shares (no par) common stock. **Price**—$101 per unit of one preferred and one common share. To construct a drive-in theatre. No underwriting.

Consumers Cooperative Assoc., Kansas City, Missouri
Oct. 16 filed $3,000,000 non-dividend common stock ($25 par); $6,000,000 of 3½% five-year and 4½% 10-year cumulative certificates of indebtedness; and $2,000,000 of 1½% demand and 2½% 6 months cumulative loan certificates. No underwriting. **Offering**—Offered only to stockholders and patrons and members. **Price**—At face amount. **Proceeds**—For acquisition of additional office and plant facilities.

Dayton Consolidated Mines Co., Virginia City, Nevada
May 14 (letter of notification) $100,000 first lien sinking fund convertible 5% bonds due 1953 and 300,000 common shares reserved for conversion of bonds. **Price**—$1,000 per bond with 1,000 common shares. **Underwriter**—S. K. Cunningham & Co., Pittsburgh. To receive current obligations, working capital, etc. Being placed privately.

● Deere & Co., Moline, Ill. (7/26-29)
July 7 filed 250,000 shares (no par) common stock. **Underwriter** — Harriman Ripley & Co., New York. Price by amendment. **Proceeds**—Stock is being sold by trustees of two trusts, one for the benefit of Katherine Deere Butterworth and others, and one created by the will of Charles H. Deere, with 125,000 shares offered by each.

● District of Columbia Citizen Publishing Co., Washington, D. C.
July 9 (letter of notification) 1,000 shares ($10 par) 6% cumulative non-assessable stock. Price, par. For necessary capital. No underwriting.

● Dunk Donut Corp., Highland Park, Mich.
July 8 (letter of notification) 300,000 shares ($1 par) common stock. Price, par. **Underwriter**—Charles E. Bailey & Co., Detroit. To establish shops, pay debts and increase working capital.

● Duvernoy & Sons, Inc., New York
July 7 (letter of notification) 1,386 shares of 5% cumulative preferred stock (par $100). Price, par. For general corporate purposes.

Equitable Gas Co., Pittsburgh, Pa. (7/20)
May 6 filed $14,000,000 first mortgage bonds, due 1973. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co.; White, Weld & Co. **Proceeds**—$14,000,000 of proceeds, plus 563,000 shares of new common stock, will be delivered to the Philadelphia Co. in exchange for natural gas properties now under lease, outstanding capital stock of Equitable, notes and other claims owed to the Philadelphia Co. and to the Pittsburgh and West Virginia Gas Co. **Bids**—Bids for the purchase of the bonds will be received at Room 700, 435 6th Avenue, Pittsburgh, up to 11 a.m. (EDT) July 20.

● Eureka Corp. Limited, Toronto, Ontario, Can.
July 7 filed 675,000 shares ($1 par) common stock and 405,000 common stock purchase warrants to be offered shareholders at the rate of one for each 25 held. **Underwriter**—None is planned. **Price**—135,000 units are to be offered, consisting of five common shares and a stock purchase warrant for three shares, for $7.50 per unit. **Proceeds**—To de-water mine, cross-cut to the ore zone, and for repayment of temporary loans.

Exeter & Hampston Electric Co., Exeter, N. H.
June 24 (letter of notification) 8,125 shares of common stock (par $20). **Price**—$33 per share. **Underwriter**—None. **Proceeds**—For additions, extensions and improvements to plant and to pay present short-term notes totaling $130,000.

NEW ISSUE CALENDAR

July 16, 1948
National Fuel Gas Co.—Debentures

July 19, 1948
American Bosch Corp., 3:30 p.m. (EDT)—Common
Kresge (S. S.) Co.—Common

July 20, 1948
Equitable Gas Corp., 11 a.m. (EDT)—Bonds
New England Power Co., noon (EDT)—Bonds
Shoe Corp. of America—Preferred

July 21, 1948
New York New Haven & Hartford RR.—Equip. Trust Ctfs.
Public Service Electric & Gas Co.—Preferred

July 26, 1948
Deere & Co.—Common

July 27, 1948
Commonwealth Edison Co.—Bonds

July 28, 1948
General Plywood Corp.—Preferred

August 2, 1948
Hawaiian Electric Co. Ltd.—Pref. and Common

August 3, 1948
O-Cel-O, Inc.—Pref. and Common

August 4, 1948
McCall Corp.—Common

● **Finch Telecommunications, Inc., New York**
July 13 (letter of notification) 14,000 shares of capital stock (par $1). **Price**—$6 per share. Shares will be placed privately. Proceeds to selling stockholder.

First Guardian Securities Corp., New York City
June 4 filed 36,000 shares of 5% cumulative convertible preferred stock ($25 par) and 172,000 shares ($1 par) common stock. (72,000 shares of common to be reserved for conversion of the preferred.) **Underwriter**—None. **Price**—$25 a share for the preferred and $10 for the common.

Fission Mines Ltd., Toronto, Canada
April 16 filed 200,000 shares of treasury stock. **Underwriter**—Mark Daniels & Co., Toronto. **Price**—$1 a share. **Proceeds**—For mining and business costs.

Flotill Products, Inc., Stockton, Calif.
March 6 filed 385,000 shares of 60 cent convertible preferred stock (par $5) and 325,000 shares of common stock (par $1). **Underwriter** — Floyd D. Cerf Co., Chicago. **Price**—preferred $10; common $6. **Proceeds** — Stockholders will sell 260,000 preferred shares and 250,000 common shares and company 125,000 preferred shares and 75,000 common shares. Company's proceeds will be used for general corporate purposes. Effective May 5.

● **Foster & Barnard Inc., Denver, Colo.**
July 8 (letter of notification) $100,000 of mortgage investment account certificates. To buy first mortgage real estate loans. No underwriting.

Fraser Products Co., Detroit, Mich.
Oct. 21 filed 100,000 shares ($1 par) common. **Underwriters** — Campbell, McCarty & Co., and Keane & Co., both Detroit. **Price**—$5.25 per share. **Proceeds**—The shares are being sold by 14 stockholders who will receive proceeds. Registration statement effective Jan. 16.

● **General Appliance Corp., Springfield, Mass.**
July 8 (letter of notification) 219,695 shares (10¢ par) common stock. Of this, 200,610 shares are to be offered in exchange for 300,915 outstanding shares of common stock of American Time Corp., at the rate of two shares of General Appliance stock for each three of American Time stock. The additional 19,085 shares of General Appliance stock will be offered in exchange for 7,634 shares of American Time preferred stock at the rate of 2½ common shares fo reach preferred share. No underwriting.

General Plywood Corp. (7/28)
June 25 filed 100,000 shares of 5% cumulative convertible preferred stock (par $20). A firm commitment has been entered into with a group of underwriters covering half of the shares, and these, together with the balance of the stock, will be publicly offered. **Underwriters**—F. S. Yantis & Co., Inc., W. L. Lyons & Co., H. M. Byllesby & Co., J. C. Bradford & Co., Crowell, Weedon & Co., Cruttenden & Co., Martin, Burns & Corbett, Inc., Berwyn T. Moore & Co., Inc., Mullaney, Wells & Co., William R. Staats & Co., Van Alstyne, Noel & Co., Dempsey & Co., A. G. Edwards & Sons, Herrick, Waddell & Reed, Inc., Hickey & Co., Mason, Moran & Co., O'Neal-Alden & Co., Inc., Wilson-Trinkle & Co., Inc. and Holton, Herrington, Farra Co. **Proceeds**—To reimburse the company's treasury for expenditures made in connection with the building and equipping of their new veneer and plywood plant at Savannah, Ga., the cost of which was approximately $1,650,000. **Price**—At par. **Offering**—Expected at end of July.

Globe-Wernicke Co., Norwood, O.
June 11 (letter of notification) 42,410 shares of common stock (par $3.50) to be offered to common stockholders of record June 18 on the basis of one new share for each six shares held. Rights expire July 22. **Price**—Par. **Underwriter**—None. **Proceeds**—To redeem part of preferred stock.

Hawaiian Electric Co., Ltd., Honolulu (8/2)
June 29 filed 50,000 shares of series D cumulative preferred stock (par $20) and 100,000 shares of common stock (par $20). **Offering**—To be offered common stockholders at the rate of one additional common share for each 3½ shares held and one share of preferred for each seven common shares held. **Price**—Par in each case. **Underwriters**—Dillon, Read & Co. Inc. and Dean Witter & Co. **Proceeds**—To pay off short-term promissory notes and the balance for construction.

Heidelberg Sports Enterprises, Inc., Pittsburgh, Pa.
June 25 filed 2,041 shares of class A common stock and 5,000 shares of class B common stock (par $100). **Price**—Par ($100 per share). **Underwriter**—None. **Proceeds**—$600,000 to be used for spectator grandstand and balance for related purposes.

Heyden Chemical Corp., New York, N. Y.
June 29 filed 59,579 shares of cumulative convertible preferred stock (no par) to be offered common stockholders in the ratio of one share of preferred for each 20 shares of common stock held. **Price**—By amendment. **Underwriter**—A. G. Becker & Co. will acquire the unsubscribed shares. **Proceeds**—To be used in part for improvement and expansion of manufacturing facilities. Offering postponed.

● **Highbridge Postal Building Corp., Clayton, Mo.**
July 6 (letter of notification) $64,500 5½% first mortgage sinking fund gold bonds of National Postal Buildings, Inc. (subsequently assumed by Highbridge Postal Building Corp., interest reduced to 4% and maturity fixed as of Dec. 1, 1948). These securities are to be deposited with the St. Louis County National Bank, Clayton, to effectuate modification in the mortgage deed and supplemental indenture securing these bonds in order to extend their maturity date to Dec. 1, 1958.

● **Idaho Egg Producers, Caldwell, Idaho**
July 6 (letter of notification) $50,000 worth of certificates of indebtedness. To redeem an equal amount of outstanding certificates of preferred interest. No underwriting.

Idaho-Montana Pulp & Paper Co., Polson, Mont.
May 17 filed 100,000 shares of 4% cumulative preferred stock ($100 par) and 500,000 shares ($10 par) common stock. **Underwriter** — Tom G. Taylor & Co., Missoula, Mont. **Price**—$300 per unit, consisting of two shares of preferred and 10 shares of common stock. **Proceeds**—To erect and operate a bleached sulphate pulp mill with a 200-ton per day capacity.

Illinois Bell Telephone Co., Chicago, Ill.
June 4 filed 389,995 shares of capital stock (par $100). Underwriter, none. **Offering**—To be offered pro rata for subscription by shareholders of record June 2. American Telephone and Telegraph Co. (parent) will purchase 387,295 shares. **Proceeds**—To pay advances from American Telephone and Telegraph, its parent; any remainder of proceeds will be used in improving telephone plant.

Illinois Power Co., Decatur, Ill.
June 30 filed 690,098 shares of common stock (no par value). To provide for conversion of 345,049 shares of outstanding 5% cumulative convertible preferred stock (par $50) which the company intends to call for redemption at $52.50 per share and accrued dividends. Each preferred share is convertible into two common shares. Public offering is contemplated of the common stock not issued in conversion. Underwriting and offering price to be filed by amendment. Probable underwriter: The First Boston Corp. **Proceeds**—To redeem the preferred stock and for construction.

Indiana Gas & Water Co., Inc., Indianapolis, Indiana
June 21 filed 60,000 shares of additional common stock ($10 par) to be offered to its stockholders on the basis of one new share, at $12.50 per share, for each 10 shares now held. The company's parent, Public Service Co. of Indiana, plans to acquire only 62 of the 26,701 shares to which it would be entitled, but has agreed to purchase all shares not otherwise subscribed for by stockholders. Stockholders, other than Public Service Co., will be entitled to buy the additional 26,639 shares of Public Service at the rate of 9/50 of a share for each share held on the record date, July 2. **Proceeds**—For construction.

● **Industrial Stamping & Manufacturing Co., Detroit**
July 7 (letter of notification) 150,000 shares ($1 par) common stock. Price, par. To build an addition to the company's plant, equip it, and supplement working capital. **Underwriter**—Baker, Simonds & Co., Detroit.

International Asbestos Co., Ltd., Sherbrooke, Quebec
Jan. 30 filed 1,500,000 shares ($1 par) common stock. **Underwriter**—Paul E. Frechette, Hartford, Conn., is the U. S. authorized agent and principal underwriter. **Price**—$1 each. **Proceeds**—To construct milling plant and purchase equipment.

Keller & Co., Inc., Boston, Mass.
May 28 (letter of notification) 9,300 shares of cumulative participating preferred stock and $200,000 of 20-year 5½% debentures, due 1968. **Underwriter**—General Stock & Bond Corp. **Proceeds**—For working capital and other corporate purposes.

Kent-Moore Organization, Inc., Detroit, Mich.
June 29 filed 56,000 of common stock (par $1). **Price**—$7.50 per share. **Underwriter**—George A. McDowell & Co. **Proceeds**—To certain principal stockholders.

Kool-Aid Bottling Co., Inc. of Calif., Sheboygan, Wisconsin
March 22 filed 1,500,000 shares ($1 par) common stock. **Underwriter**—Heronymus & Co., Sheboygan, Wis. **Proceeds**—To open and equip bottling plants in California cities. **Price**—$1 per share.

Kresge (S. S.) Co., Detroit, Mich. (7/19)
June 29 filed 167,955 shares of common stock (par $10), of which 27,955 are for account of the company and 140,000 shares for account of the estate of Anna E. Kresge. **Price**—By amendment. **Underwriters**—Lehman Brothers and Watling, Lerchen & Co. **Proceeds** — Of 27,955 shares, for general corporate purposes.

● **Lamston (M. H.), Inc., New York**
July 9 (letter of notification) 1,000 shares of common stock (par $1). **Price**—Market (about $5½). **Underwriter**—First Colony Corp., New York. Proceeds to selling stockholder.

● **Lapaco Chemicals, Inc., Lansing, Mich.**
July 9 (letter of notification) 50,000 shares ($1 par) common stock. **Price**—$2. To pay taxes and reduce bank loans. No underwriting.

● **Line Material Co., Milwaukee, Wis.**
July 8 (letter of notification) 5,000 shares ($5 par) capital stock. To be sold at $19.75 a share for W. D. Kyle, President of the company. **Underwriter**—The Milwaukee Co.

● **Lowell & Grayson Manufacturing Co., Monrovia, Calif.**
July 1 (letter of notification) 2,000 shares ($100 par) capital stock. Price, par. For working capital. No underwriting.

McAleer Manufacturing Co., Rochester, Mich.
June 15 (letter of notification) 7,000 shares of common stock (par $1). **Price**—$5.50 per share. **Underwriter**—C. G. McDonald & Co. **Proceeds**—No purpose given.

McCall Corp. (8/4)
June 24 filed 87,167 shares of common stock (no par value) to be initially offered to common stockholders of record July 20, 1948 on basis of one new for six shares held. Warrants will be transferable and will expire Aug. 3. **Underwriter**—White, Weld & Co. **Price**—By amendment. **Proceeds**—With a $2,500,000 20-year 3% bank loan, to pay bank loans, to restore the working capital position of the company and to provide funds for expansion.

● **McVicar Mining Co., Ltd., Vancouver, B. C.**
July 14 filed 400,000 shares (par 50¢ Canadian funds) common stock and 1,100,000 common share purchase warrants, as well as 1,100,000 common shares to be reserved for issuance upon exercise of warrants. **Underwriter**—Carstairs & Co., Philadelphia. **Price**—60 cents (U. S. funds) and 60 cents (Canadian funds) for not more than 100,000 shares to be sold in Canada; one cent each for the warrants. **Proceeds**—General funds and to develop mining property.

Midwest Packaging Materials Co., St. Louis, Mo.
June 25 (letter of notification) 3,500 shares of common stock (par $5). **Price**—At market. **Proceeds**—To selling stockholder. **Underwriter**—Edward D. Jones & Co.

● **Mountain States Co., Denver, Colo.**
July 2 (letter of notification) $100,000 4% 15-year debentures and 750 shares (no par) capital stock. $75,000 of the debentures and 750 shares of stock are to be issued in units of one $100 debenture and one share at $100 per unit. The remaining $25,000 of debentures will be offered alone. To purchase real estate. No underwriter.

● **National Battery Co.**
July 14 filed 65,000 shares ($50 par) convertible preferred stock. Price and dividend, by amendment. **Underwriters**—Goldman, Sachs & Co., New York; Piper, Jaffray & Hopwood, Minneapolis. **Proceeds**—To retire $3,000,000 of bank loans and general corporate purposes.

National Electric Products Corp., Pittsburgh, Pennsylvania
June 23 (letter of notification) 2,000 shares of common stock (par $50). **Price**—$37.50 per share. **Underwriter**—Singer, Deane & Scribner. **Proceeds**—To executors of an estate.

National Fuel Gas Co., New York (7/16)
June 4 filed $13,500,000 sinking fund debentures, due 1973. **Underwriters**—Blyth & Co., Inc. awarded the issue July 14 on bid of 101.27 as 3s. **Proceeds**—To purchase 320,000 additional shares of United Natural Gas Co. common stock ($25 par), and to purchase 48,500 additional shares of Iroquois Gas Corp. Offering expected July 16 at 101.969.

● **Natural Cosmetics Laboratories, Inc., Cleveland**
July 6 (letter of notification) 5,000 ($10 par) common stock. Price, par. To pay off liabilities, including $10,000 in notes. No underwriting.

● **New Drama, Inc., New York**
July 8 (letter of notification) 5,000 shares of preferred stock (par $10). Price, par. To produce, represent and perform stage plays, etc. No underwriting.

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New England Power Co. (7/20)
June 22 filed $11,000,000 first mortgage bonds, series B, due 1978. **Underwriters**—To be determined by competitive bidding. Probable bidders include—Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Proceeds**—To purchase properties of the Bellows Falls Hydro-Electric Corp., to purchase that portion of the New Hampshire section of the Bellows Falls-Pratts Junction line owned by the Connecticut River Power Co. and for repayment of bank loans. **Bids**—Bids for purchase of bonds will be received at company's office, Room 1109, 441 Stuart Street, Boston, up to noon (EDT) July 20.

Northern States Power Co. (of Minn.)
June 3 filed 200,000 shares of cumulative preferred stock (no par). **Underwriting**—Names to be determined by competitive bidding. **Bids**—On July 13 Lehman Brothers submitted a bid of 100.759 for a dividend rate of 4.80%. Smith, Barney & Co. bid 100.57 also for a 4.80% dividend. Company rejected the bids for the stock.

Nuera Products Co., Denver, Colo.
May 10 filed 100,000 shares ($10 par) 6% preferred stock, and 20,000 shares (1 mill par) common stock. **Underwriting**—None named. **Price**—10 shares of preferred and two of common will be sold for $100. **Proceeds**—To build, furnish and tool a factory and apply close to $500,000 to working capital.

O-Cel-O, Inc., Buffalo, N. Y. (8/3)
June 24 (letter of notification) 3,000 shares of preferred stock (par $45) and 6,000 shares of common stock (par $1) to be issued in units of one share of preferred and two shares of common to be offered pro rata to common stockholders of record July 2, 1948, at $50 per unit. Rights expire Aug. 2. Corporation will also offer pro rata to the common stockholders who exercise said right any units offered but not purchased by other stockholders. **Price**—Preferred at $45 per share and common at $2.50 per share. **Underwriter** — None. **Proceeds** — For expansion of plant facilities for the manufacture and sale of cellulose products.

• **O'Laughlin (Joseph) Co., Newark, N. J.**
July 14 (letter of notification) 10,000 shares of class A stock (par $5). **Price**—$5 per share. To equip company for purpose of entering general plumbing, heating, contracting business.

Old North State Insurance Co.
June 24 filed 100,000 shares of capital stock (par $5). **Price**—$15 per share. **Underwriter**—First Securities Corp., Durham, N. C. **Offering**—26,667 shares will be initially offered on a "when, as and if issued" basis; 13,333 shares will be purchased by underwriter for public or private offerings; and the remaining 40,000 shares will be publicly offered on a "best efforts basis" on completion of the subscription of the first 40,000 shares and the company's receipt of a license to do business in North Carolina. **Proceeds**—For general business purposes.

Pacific Associates, Inc., San Francisco, Calif.
June 29 (leter of notification) 8,000 shares 6% cumulative prior preferred stk. ($25 par); 16,000 shares ($1 par) common stock, and 16,000 shares of common to be issued upon exercise of warrants held by owners of the prior preference stock. All stock to be sold at par value. Proceeds to pay off a bank loan, make advances to a wholly-owned susbidiary, Klamath Machine & Locomotive Works, Inc., and for additional working capital. Hannaford & Talbot, San Francisco, will be selling agents.

Pacific Telecoin Corp., San Francisco
June 10 (letter of notification) $300,000 4½% equipment trust certificates, series A, dated July 1, 1948, and due July 1, 1951. **Underwriters**—Gearhart & Co., Inc., and Paul D. Sheeline & Co. **Proceeds**—For equipment, to retire debt and for working capital.

Pennsylvania Industries Corp., Pittsburgh, Pa.
June 24 filed 214,987 shares common stock (par $10) to be exchanged for the stock of Pennsylvania Industries, Inc. (old company), viz: 21,190 shares in exchange for old company common stock (one for each 28 of old) and 193,797 shares to the holders of outstanding $6 cumulative preferred stock on basis of three common for one preferred.

• **Plymouth Rubber Co., Canton, Mass.**
July 9 (letter of notification) 2,500 shares of common stock. To be sold for Walter H. Bieringer, Brookline, Mass. **Price**—$5⅛. **Underwriter**—E. W. Clucas & Co., New York, and J. Arthur Warner & Co., Boston.

Powder River Oil Co., Denver, Colo.
May 11 (letter of notification) 400,000 shares (10¢ par) common stock. **Price**—25 cents. **Underwriter** — R. L. Hughes and Co., Denver. For working capital.

• **Princeton Mining Co., Missoula, Mont.**
July 1 (letter of notification) 1,200,000 shares (10c par) caiptal stock, of which 900,000 will be offered at 15 cents each and the remainder used to compensate salesman, Jess Walter Abbott, Missoula, Mont., president of the company. To develop patented mine claims and improve reduction mill. No underwriting.

Public Service Electric & Gas Co. (7/21)
June 11 filed 200,000 shares ($100 par) cumulative preferred stock. **Underwriters** — Names to be determined through competitive bidding. Probable bidders: Morgan Stanley & Co.; White, Weld & Co. and Union Securities Corp. (jointly). **Proceeds**—For property additions and improvements. **Bids**—Bids were asked to be submitted July 7, but company postponed sale until July 21.

Republic Aviation Corp., Long Island, N. Y.
June 4 filed 42,000 shares ($1 par) common stock, issuable upon the exercise of stock options. Options for this stock, exercisable at $7.25 per share, are held by eight individuals and the estate of another, now deceised. Certain optionees may reoffer shares purchased. **Proceeds**—For general funds.

Riley Stoker Corp., Worcester, Mass.
June 3 (letter of notification) 7,000 shares ($3 par) common stock. **Price**—$11¾ per share. **Underwriter**—Hanrahan & Co., Worcester, Mass.

Sangamo Electric Co., Springfield, Ill.
June 29 (letter of notification) 8,500 shares (no par) common stock, (stated value $8 a share). **Price** — $33.625. **Underwriter** — Paul H. Davis & Co., Chicago. Proceeds will be used to partially reimburse the treasury for expenditures in connection with a new $1,000,000 plant at Marion, Ill.

Sanger Bros., Inc., Dallas, Tex.
June 25 (letter of notification) 2,000 shares of common stock (par $2.50). **Price**—At market (about $11.25 per share). **Underwriters**—Walker, Austin & Wagener and Stifel, Nicolaus & Co. **Proceeds**—To selling stockholder.

Savoy Oil Co., Inc., Tulsa, Okla.
June 8 filed 150,000 common shares (25¢ par). **Underwriting**—None. **Offering**—Stockholders of record June 30 are given rights to subscribe at $2.50 per share on or before July 16 for 100,000 new shares at the rate of two-thirds of a share for each share held. The other 50,000 shares will be issued to officers and others at $2.50 per share upon the exercise of warrants. An unspecified number of shares may or may not be offered for sale to the public. **Proceeds**—To be added to general funds of company.

Schuster (Ed.) & Co., Inc., Milwaukee, Wis.
July 2 filed 15,000 shares of cumulative preferred stock (par $100). **Underwriters**—Name by amendment. **Proceeds**—For general corporate purposes.

• **Schwitzer-Cummins Co., Indianapolis, Ind.**
July 6 (letter of notification) 3,000 shares 5½% class A cumulative preferred stock ($20 par) to be sold by Louis Schwitzer, Sr., chairman of the board of directors. **Underwriter**—Paul H. Davis & Co., Chicago.

Shoe Corp. of America, Columbus, O. (7/20-22)
June 28 filed 25,000 shares of cumulative preferred stock (no par), with class A common share purchase warrants attached and 25,000 shares of common stock reserved for warrants. **Underwriter**—Lee Higginson Corp. **Proceeds**—For general corporate purposes.

• **Smith Oil & Refining Co., Rockford, Ill.**
July 6 (letter of notification) 3,000 shares ($100 par) 5% cumulative preferred stock. **Price**—$100. Of the 3,000 shares, not more than 1,000 are to be offered to present holders of common stock in exchange for their common at the rate of two preferred shares for each common share. To reduce bank loans. No underwriter.

Squankum Feed & Supply Co., Inc. Farmingdale, N. J.
May 24 (letter of notification) 1,000 shares $5.50 cumulative preferred stock (par $100). Price, par. **Underwriter**—Fidelity Securities & Investment Co., Inc., Asbury Park, N. J. Working capital.

• **Standley Sales & Mfg. Co., Inc., Dover, Del.**
July 13 (letter of notification) 2,900 shares of cumulative, non-voting preferred stock (par $100). **Price**—$102 per share. General corporate purposes. **Underwriting**—None.

Tabor Lake Gold Mines, Ltd., Toronto, Canada
April 2 filed 300,000 shares (par $1) preferred stock. **Underwriter**—Mark Daniels & Co., Toronto, Canada. **Price**—60 cents a share. **Proceeds**—For mine developments.

Tanner & Co., Indianapolis, Ind.
June 15 (letter of notification) 3,000 shares of 5½% cumulative preferred stock (par $100). Holders of 492 shares of presently outstanding 6% cumulative preferred stock will be offered in exchange 492 shares of the new 5½% preferred stock, share for share. **Price**—Par and accrued dividends. To be offered in Indiana only. **Underwriter**—City Securities Corp. **Proceeds**—To retire $225,000 of promissory notes and for working capital.

• **U. S. Airlines, Inc., St. Petersburg, Fla.**
June 2 (letter of notification) 171,000 shares ($1 par) common stock. **Price**—56 cents each. To be offered for Frances B. Law, Robert B. Law, and Theodore N. Law. **Underwriter**—R. H. Johnson & Co., New York.

United Air Lines, Inc., Chicago
June 7 filed filed 369,618 shares ($10 par) common stock. **Underwriter**—Harriman Ripley & Co., Inc., New York. **Price**—By amendment. **Offering**—To be made to common stockholders on basis of one share for each five held. **Proceeds**—Expenditures for equipment and facilities, retiring bank loan and debentures. Temporarily postponed.

United States Television Mfg. Corp.
June 16 (letter of notification) 10,000 shares of common stock (par 50¢). **Price**—At market (about $3 per share). **Underwriters**—Willis E. Burnside & Co., Inc., and Mercer Hicks & Co. **Proceeds**—For account of three selling stockholders. Statement effective.

• **Vapor Heating Corp., Chicago**
July 7 (letter of notification) 3,000 shares of common stock. **Price**—$31 each. For general corporate purposes. No underwriting.

Victor Products Corp., Hagerstown, Md.
June 28 (letter of notification) 42,800 shares of common stock, of which 21,503 shares will be sold to single holder of the majority of the outstanding voting stock and 21,297 shares will be offered publicly. **Price**—$7.50 per share. **Underwriter**—None. **Proceeds**—To increase working capital.

• **West Coast Amusement Corp., Portland, Ore.**
July 1 (letter of notification) 25,920 shares ($10 par) capital stock. Price, par. To retire loan, acquire 25 new Wurlitzer automatics, and other equipment. No underwriting.

• **Whitedelf Mining & Development Co., Spokane, Wash.**
July 6 (letter of notification) $250,000 of 10-year 5% coupon bonds, payable 1958. To develop mining property and pay indebtedness. No underwriting.

Yeakley Oil Co., Alamosa, Colo.
April 30 filed 10,000 shares of common stock (par $10). **Underwriting**—None. **Price**—$10 per share. **Proceeds**—Mainly for development.

Zonolite Co., Chicago, Ill.
May 24 (letter of notification) 22,000 shares common stock (par $1). **Underwriter**—Wm. C. Roney & Co. **Price** by amendment.

Prospective Offerings

• **Barium Steel Corp.**
July 23 stockholders will vote on a proposal to decrease the authorized capital stock from 2,500,000 to 1,250,000 shares and to change the par value from $1 to $2 a share. If the amendment is approved, company will give stockholders one new share for each five shares of the present issue. Company also proposes to offer to stockholders the right to subscribe to additional shares of the new $2 par capital stock.

• **Davidson Brothers Co.**
July 6 stockholders approved increase in authorized common stock to 3,000,000 shares from 1,000,000 shares. Amount of common now outstanding is 853,850 shares.

• **New York New Haven & Hartford RR. (7/21)**
Invitations for bids to be received July 21 have been issued by the company for $4,050,000 of equipment trust certificates. The certificates are to be dated Aug. 1, 1948, and are to mature in 15 equal instalments of $270,000 each from Aug. 1, 1949, to Aug. 1, 1963. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

• **Pacific Telephone & Telegraph Co.**
July 14 reported company has plans under consideration for sale of $75,000,000 debentures. The expectation in underwriting circles is that the offering will be along about the latter part of September. Probable bidders at the sale include Morgan Stanley & Co. and associates and Halsey, Stuart & Co. Inc., and associates.

• **Reading Co.**
July 12 reported company plans sale of $3,440,000 equipment trust certificates at an early date. Probable bidders: Halsey, Stuart & Co.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler.

• **Seaboard Air Line RR.**
July 12 reported company plans the sale next month of about $3,000,000 equipment trust certificates. Probable bidders: Probable bidders include Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler.

• **Southern California Edison Co.**
July 12 reported company planning a $25,000,000 of first mortgage bonds early in September. The money will be used to help finance its construction program. Probable bidders: Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.

• **Western Massachusetts Electric Co.**
July 9 company applied to the Massachusetts Department of Public Utilities for authority to issue $11,000,000 of mortgage bonds or unsecured notes, proceeds of which would be used to retire $5,695,000 outstanding obligations and to finance the company's expansion program.

• **White Motor Co.**
Aug. 18 stockholders will vote on approving the issuance of 120,000 shares of new convertible preferred stock ($50 par) to be sold publicly. Proceeds will be used to increase the company's working capital. Hornblower & Weeks may be underwriters.

Politicians Begin Economic Dog-Fight

(Continued from first page)

GOP with all-out attacks for the High Cost of Living and flings out to the electorate detailed figures in attempted substantiation of its claim for credit for our present high employment and national income.

The major speeches, including that of the gorgeous Helen Gahagan Douglas as well as the redoubtable Senator Barkley, reveal the existence of the Democratic National Committee's very able research staff. Mr. Barkley's "statistical compendium" included "data" covering the ground all the way from employment to new capital issues in the securities market. What a statistical melee is in store for the public between now and November!

Sexy-Politico Economics

We further see here in Philadelphia enhancement of the technique of using the mouths of the fair sex to sugar-coat the otherwise dry-sounding alleged economic facts of life. In addition to Mrs. Douglas, this was witnessed here in the "economic treatises" uttered by Representative Mary Norton of New Jersey and Mrs. Edwards, executive director of the Women's Division of the Convention. In fact it took the latter's talk really to reduce to absurdity the political oversimplification of economic issues. For the latter lady demonstrated the economics of prices and production by performing before the mikes and klieg lights, by "economic" legerdemain with a large box, a string, and a balloon. Along with balloons, she used a piece of old steak and some oleomargarine. With this apparatus the fair spokesman was able to convince herself that the "Republican henchmen of big business" loosened the strings to boost the cost of food, clothing, meat beyond the people's savings and incomes, by the exact number of percentage points attributable to the Federal Reserve Board and other government statistical bureaus. Further by a simple homily she "demolished" the entire theory of production as the antidote for inflation as advanced by the wicked Senator Taft, the NAM and the lobbyists in the employ of the Economic Royalists.

HCL Gets Top Billing

The attack on the nasty and generally distasteful High-Cost-of-Living and the easy placing of the blame therefor of course finds fertile ears, if not those of every consumer within close or far earshot. And whether approval of such demagogery is or is not strong enough to warrant Democratic Committee Chairman McGrath's professed expectation that the nation's housewives will vote Democratic in their desire for lower prices and peace, this line of argument will be pushed to its absolute limit — to the complete obfuscation of the nation's understanding of the subject.

Statistical Barrage

Particularly as the Party's defeat will make the Platform academic, is Mr. Barkley's keynote speech an all-important document (as the campaign guide). It evidences that between now and November 2 we will be treated to a barrage of scientific-looking data both showing the "achievements" of the New Deal under Mr. Roosevelt, and at the same time charging the obstruction to its continuance and the incurrence of our present plight to the machinations of that historically second-worst Congress. Related to the contemporary scene the Democratic strategy is to epitomize all potential discontent in blame for that easily recognizable High Cost of Living. As more or less supplemental argument, the late New Deal will be elaborated on again and again to indicate the utopian reincarnation of Franklin Delano Roosevelt.

Senator Barkley, or rather the ghost-writers, did not forget to cite a single item in the Party's long inventory of subsidies. As the keynoter of the coming campaigners the Senator in minute detail elaborated on the pleasant handouts enjoyed for 16 years or so through the FHA, HOLC, CCC, the expansion of Mr. Hoover's RFC, Farmer's Agricultural Adjustment and price support, Soil Conservation, Rural Electrification, etc., etc.

The "Donkey's" Future?

In listening to Mr. Barkley's very able brief detailing these many good things for the voters, one could not keep from concluding that if it were not for the self-interested bolting by the former New Dealers and others within the Party, and the public's resultant sadistic band-wagonning away from Mr. Truman, the party would be capable of making a creditable run in line with the President's definitely indicated winning popularity as recently as six months ago. In the present psychological atmosphere, however, the New Deal conveys the nostalgia of Leon Blum's late Popular Front which presumably can be written off as internationally discredited. But the Democratic Party here, which has given the "liberals" all they could have asked for, from Civil Rights to a full internationalist policy, cannot be written off—at least not until after a 1952 "New Look."

Our Reporter's Report

Underwriters are becoming more than a little disturbed by the growing tendency on the part of potential issuers to reject bids for senior stock issues. This has been occurring with unusual frequency of late and has happened twice within little more than a week in the public utility field.

Some banking firms have reached the point where they simply refrain from participating in preferred stock business when there is the faintest indication of encountering difficulty in bringing about a meeting of the minds.

And if the comment of some bankers, in the wake of Northern States Power Co.'s action this week in turning down two bids for its preferred stock, is indicative of the general thinking, prospective issuers may find it difficult to attract bids for projected new issues for a spell.

As one banker put it "they (meaning the company) want to sell you the Brooklyn Bridge." Another commented "it's a case of heads they win and tails you lose."

Still another declared "if these companies have definite ideas of the limits they think should be fixed why don't they they make these known in advance?" Then, if a firm or group of firms were interested, he said, "they could go ahead and prepare to bid. Meanwhile those who did not feel the issue could be handled would be saved the mass of detail work which goes with working up syndicates and bids."

Northern States Power (Minn.)

Bankers who made the high bid for Northern States Power Co.'s 200,000 shares of preferred, offering to pay the company 100.7599 for a 4.8% dividend, had prepared to reoffer the stock at a price of 104¼.

News of the company's decision to reject the bids did not come for several hours when an official declared the board had considered the prices offered too low.

Judging by reports that preliminary inquiries, subject to formal offering, had been decidedly promising, the belated decision of the board must have been keenly disappointing to the bankers involved.

Bids for the company's $10,000,000 of 30-year first mortgage bonds, eight in number, were relatively close. The winning tender, 101.1699 for 3s, was less than four cents over the second bid and less than 60 cents a $100 bond above the lowest offer made.

New Jersey Bell Telephone

Just seven cents a $100 bond separated the two bids made for New Jersey Bell Telephone Co.'s $55,000,000 of 40-year debentures, with the winner paying the company 102.60 for a 3⅛% interest rate.

Repriced at 103⅛ for public offering to yield 2.99% to maturity, the issue was placed on the market yesterday and was reported moving out in good style.

Since the issuer fell short of covering interest requirements 1½ times in 1947, as required to make it eligible for life companies in New York, the latter were automatically ruled out of the market as potential buyers. The issue, however, was legal for savings banks in the State.

Some observers ventured the guess that had it not been for this condition, the New Jersey issue would have commanded a better price than the recent big N. Y. Telephone Co. loan which brought 100.67 for a 3% rate.

Pacific Telephone & Telegraph

Pacific Telephone & Telegraph Co., is currently reported as considering plans for the sale of an issue of $75,000,000 of debentures to raise needed new capital.

Banking firms which have been traditional competitors in this field since the advent of competitive bidding are reported actively forming groups to seek the business.

The debentures, expected to reach market late in September, will it is believed, provide funds for repayment of parent company advances and for financing extensive new construction.

Week's Big Issue

Westinghouse Electric Corp.'s $80,000,000 of new convertible debentures, due out today, provided the week's big single issue.

A negotiated deal, exempt from the SEC's competitive bidding rule, this offering was expected to encounter brisk demand, with a quick sale anticipated.

Proceeds will put the company in funds to liquidate outstanding bank loans with any balance being added to working capital.

Halsey, Stuart Offers $55,000,000 Jersey Bell Telephone Debs.

Halsey, Stuart & Co. Inc. headed a group of underwriters that offered publicly July 14 $55,000,000 New Jersey Bell Telephone Co 40-year 3⅛% debentures due July 15, 1988 at 103⅛% and accrued interest. Award of the bonds was won at competitive bidding on the group's bid of 102.60.

The company will apply the proceeds to the repayment of $53,800,000 in advances it has received from its parent, American Telephone and Telegraph Company, in conformity with an established practice of borrowing from the parent as need therefor arises for general corporate purposes, including extensions, additions and improvements to its telephone plant. The company has spent $22,000,000 on new construction for the first four months of 1948 and it is expected that such expenditures will continue at a high rate over the next few years, during which period manually operated equipment will be replaced with dial equipment in numerous central offices.

The new debentures will be redeemable at prices ranging from 106.125% to 100%, plus accrued interest in each case.

Following the financing, the company's capitalization will comprise the $55,000,000 in new debentures and 1,600,000 shares of common stock, $100 par value per share.

The company is engaged in the business of furnishing communication services, mainly local and toll telephone service, in New Jersey. On March 31, 1948, it had 1,328,157 telephones in service, of which approximately 30% were located in the cities of Camden, Elizabeth Jersey City, Newark, Paterson and Trenton. Its communication services also include teletypewriter exchange service, mobile radio-telephone service, and services and facilities for private line telephone and teletypewriter use for the transmission of radio broadcasting programs and for other purposes.

Joins Morgan Co. Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Richard G. Rowe is now affiliated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Rowe was previously with Schwabacher & Co.

Eberstadt & Co. Offers Preferred & Com. Shs. Of Roosevelt Oil & Ref.

F. Eberstadt & Co. Inc. is offering to the public today (July 15) 135,000 shares of 6% cumulative convertible preferred stock, $12.50 par value, and 44,000 shares of common stock of Roosevelt Oil and Refining Corp. The preferred stock is priced at $12.50 per share and accrued dividends and the common stock is offered at $10 per share.

Roosevelt Oil and Refining Corp. is a new company formed for the purpose of acquiring and consolidating Roosevelt Oil Co., Simrall Corp. and C. L. Maguire, Inc. Roosevelt Oil Co is one of the leading oil refiners and marketers in Michigan and was founded by C. L. Maguire in 1929. Simrall Corp., organized in 1929 and also owned by Mr. Maguire, is the largest crude oil gathering pipe line system in the Michigan oil fields. C. L. Maguire, Inc., constitutes an independent oil-producing company in Michigan. The three companies have operated in close coordination with each other for many years. They constitute an integrated petroleum producing, gathering, refining and marketing business within the state of Michigan.

The proceeds of the sale of the 135,000 shares of preferred stock and the 44,000 shares of common stock being offered publicly are $1,883,500. The management of the company is purchasing an additional 63,000 shares of common stock for $551,250. In addition, the company is borrowing $1,300,000 from the Chase National Bank of New York on a four-year term loan. The total funds provided are $3,734,750. The purchase price of all of the stock of the three companies is $3,265,110. The balance of the funds, after allowance for expenses, will increase working capital by approximately $300,000.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There are two horns to this basing point pricing system dilemma. Hence in the opinion of some here it is suggested that merely killing off one's own basing point system may not work out in practice to be the easy bright, simple solution it looks like at first.

For years the Federal Trade Commission has been hacking at the basing point pricing system. Finally, in the Cement Institute case, the Commission got the Supreme Court to disapprove this practice in the case at hand. Industry has since been doing a lot of thinking about what it should do under the circumstances.

One solution is to await developments. As has been reported herein before, some of the lawyers around town insisted that the language of the Supreme Court's decision did not outlaw basing point pricing systems as such, but only when such systems were used as part of a concerted or "collusive" industry price fixing plan.

To await developments, an industry might sit back and wait for the FTC to sail into its particular basing point pricing system, get a cease and desist order issued against it, fight it through the courts, and then stand or fall on what the Supreme Court eventually says, some years hence.

Then if one's industry were slapped down in the courts it would have to junk its basing point pricing system. However, this horn of the dilemma is to risk the onus for following an "unlawful" pricing practice until the bitter end, and being forced to abandon it only on order of a court. This is not a pleasant alternative. It is easy to imagine why the steel industry, thoroughly and many feel unjustifiably lambasted by Congress and the Administration last winter for a modest price increase at that time, is sensitive to political opinion.

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In theory it looks good to junk the basing point pricing system at once. Even if there are some doubts it actually is illegal, it is much better to junk it now than to wait for the Federal Trade Commission and the courts to take nasty cracks at one. The public generally only knows what it reads and hears, and if it reads in the newspapers and hears on the radio that there is something illegal about continuing to use basing points, then let's have done with it and escape all that blame.

That is the trend which seemingly was started by the steel industry.

* * *

The other horn of the dilemma, however, is almost as bad. The third round of labor wage increases is now going as sweetly as a big union boss could ever hope. Motors caved. Then came coal, more recently, "big steel" has been obliged to capitulate. The railroads got out of government operation just in time to pave the way for railway labor, both operating and non-operating, to put the squeeze once more upon railroad management for another cut of the revenues they don't have to share, but hope to make up after a long delay, in further freight rate boosts to be allowed by the Interstate Commerce Commission.

All this is going to make for some real upward movements in prices of finished manufactures. Steel, which has been doing its best to hold the price line since it got, as it were, kicked in the pants by Congress and the Administration, will get kicked price-wise by the boost in coal prices. Steel may have to let loose sooner or later, and avoid riding along on such close margins.

All in all the third round of wage increases has removed most of the lingering hopes of officials that price inflation might be slowing down. It is the one new factor in the business outlook of the past few weeks. The betting is that inflation the rest of this year will be worse.

* * *

At the very time when the multifarious increases in industry's costs will be hitting home, the basing point pricing system came to an end. It is beside the point that this pricing system, used to equalize somewhat the geographical burden of freight costs, may benefit nearby steel consumers by as much as it hurts distant consumers. Nearby consumers, relieved of "phantom freight" costs, are not going to form an army to move on Washington and thank Truman for the cement case decision.

What will happen is that users distant from production points, forced to pay the full freight, will scream bloody murder. It is always that way with the public. And those who will scream loudest will be the "small businesses" farthest from points of production. Small business is more important than big business simply because it has more voters.

So nearby consumers probably will not be grateful, because higher steel costs are going to be forced anyway, and distant consumers will scream. It is an ideal background for the demagogues. Already one Senator prominent in the New Deal wing has grasped the opportunity, by accusing the steel industry of junking the basing point system as an excuse to raise prices.

* * *

There is, however, a middle ground, perhaps a way to avoid being impaled on either horn of the dilemma. The cement case decision puts a bee on Congress to act. If Congress doesn't do something next year about the antitrust laws, then business might feel justified in ditching the whole business of basing points. There will be no raft of decisions against this pricing practice before Congress can act. There is time to pause and consider without fearing one's industry will be morally hung before the bar of public and political opinion.

* * *

Britain used the fact that the Senate did not approve the proposed International Wheat Agreement as an excuse to kill the thing. Idea of the agreement was that for the normal current of wheat trade throughout the world, as distinguished from the relief-swollen volume, importing nations would agree to pay, and exporting nations would agree to supply, specified quantities of wheat within maximum and minimum prices, regardless of other circumstances.

Britain, despite her socialists, always anxious to buy cheapest, was persuaded with only the greatest reluctance to go into the wheat agreement originally and guarantee to buy minimum quantities from the U. S. at certain minimum prices, because of U. S. pressure. Now Britain is free. She can buy in Argentina or Russia, if ever those producing nations are in a frame of mind to play ball at the right prices.

* * *

Should war ever develop, one of the real top "war babies" would consist of the radio manufacturing companies. The military planners have "real fantastic ideas" as to the amount of electronic equipment which the industry could produce in time of war.

Even without war, the military in the year ahead are trying to expend $400 million on electronic gear. This is a volume sufficient to give the radio manufacturing industry a real problem. The problem is to satisfy the needs of the Services without cutting down on civilian production. The industry expects to do it.

* * *

Despite the bearishness of investors generally toward new equity issues, the mining industry is full of hopes for getting equity money later this year. Their hopes are predicated upon the adoption of new rules by the Securities and Exchange Commission, simplifying the procedure and regulations for issuing securities in connection with exploration and development undertakings. The relaxation of the rules is expected some time next month, and the industry expects it to be followed by the offering of some new issues for this purpose.

* * *

It now develops that one of the big factors which helped kill the public housing bill was the real opposition to its provisions from scores upon scores of mayors of medium-sized and smaller cities. The government propaganda machine had created the impression that these mayors were about 94% behind it.

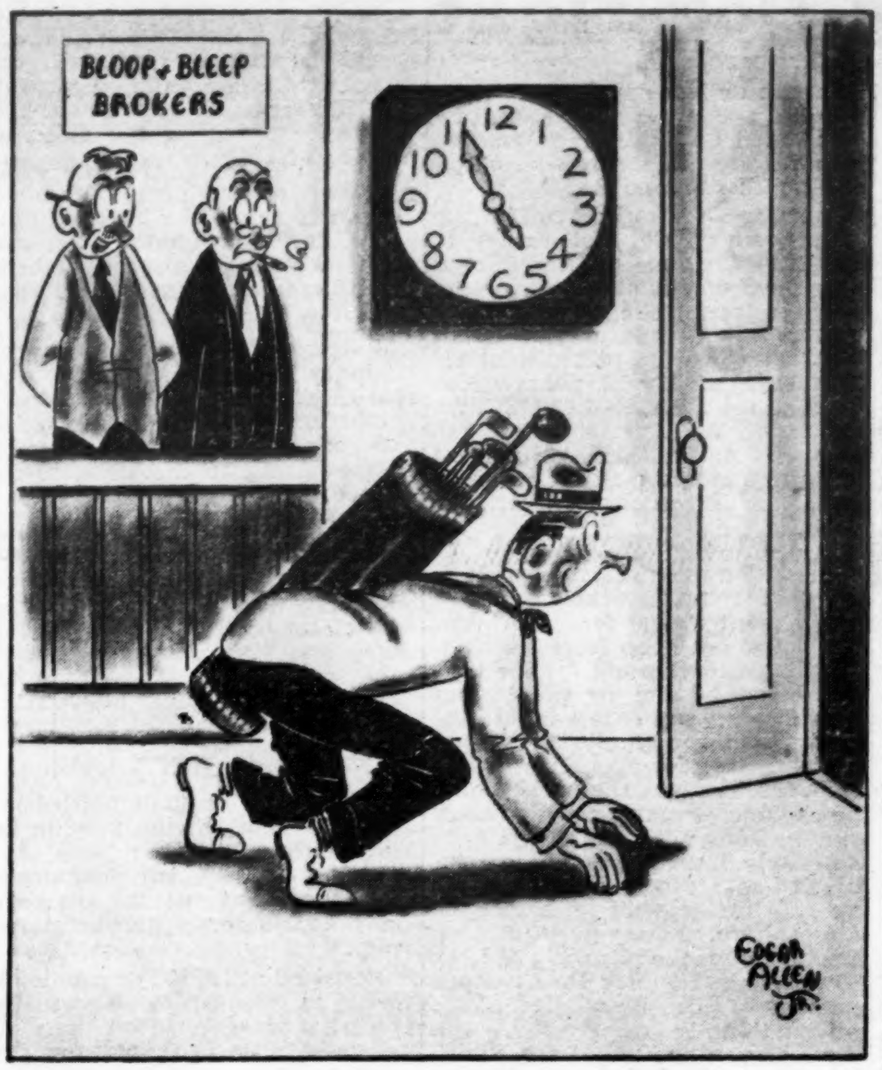
Big city mayors were, yes. They saw the prospect of getting some money for next year's municipal budget that would help them get reelected this year or next. Mayors of smaller cities, however, saw little chance of getting much of the money. Also, it was explained, they saw some long-run objections to this proposition.

* * *

One certain effect which will develop from the compromise farm support bill devised in the last days of the session of Congress is that it will needle Congress into enacting a farm law revision in 1949.

The compromise provides for a continuation, roughly, of present farm price supports through 1949. In 1950 the Aiken "farm law revision" automatically comes into operation if Congress does not in the meantime revise the Aiken provisions. Congress generally does not like the Aiken provisions, so it will have to act to forestall their operation in 1950 as actual law.

BUSINESS BUZZ



"His vacation starts in five minutes!"